



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2023

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2024 FIRST QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services FY 2024 first-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 2024 first quarter report covers the period of July 1, 2023, through September 30, 2023.

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 is responsible for administration, quality assurance, financial management, including audit support, audit follow-up, and resolution tracking.

The following summarizes MAS activity for FY 2024 first quarter:

Performance Audits: One (1) audit project was completed; seven (7) were in progress.

Contract, Financial and Compliance Audits: Eleven (11) audits with a total value of \$2.6 million were completed; 75 were in progress.

Audit Follow-up and Resolution: Twenty-eight (28) recommendations were closed; 5 are open.

Note: MAS performs audit follow-up for the OIG.

The FY 2024 First Quarter Report is included as Attachment A.

EQUITY PLATFORM

Management Audit Services' quarterly audit activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. There are no known equity impacts or concerns from audit services conducted during this period.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2024 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.

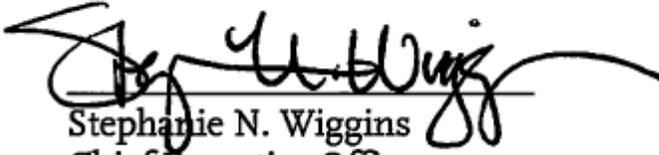
ATTACHMENT

Attachment A - FY 2024 First Quarter Report

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Stephanie N. Wiggins
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Quarterly Report to Metro Board of Directors

FY 2024 First Quarter



Metro

**MANAGEMENT
AUDIT SERVICES**

Table of Contents

Executive Summary3

Summary of In Progress Audit Activity3

Summary of Third Quarter Completed Audit Activity.....3

Performance Audits4

Real Estate Management System.....4

Contract, Financial & Compliance Audits5

Audit Follow-Up and Resolution5

Summary Tables

Appendix A – Performance Audits in Progress7

Appendix B – Contract, Financial and Compliance Audit Completed..... 8

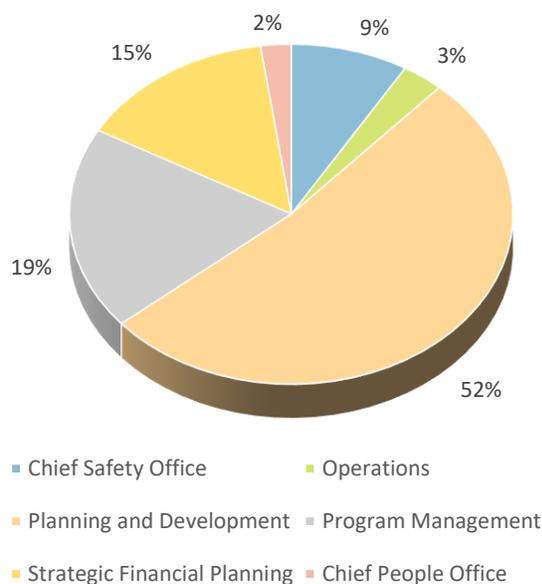
Appendix C – Open Audit Recommendations..... 9

Executive Summary

In Progress Audits
as of September 30, 2023



Summary of Audit Activity by Department
Reporting Period
July 1, 2023 – September 30, 2023



Summary of In Progress Audit Activity

Management Audit Services (MAS) has 82 in progress projects as of September 30, 2023, which include 7 performance audits and 75 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 5 open MAS audit recommendations.

Summary of First Quarter Completed Audit Activity

MAS completed 12 audit projects and closed 19 open MAS audit recommendations as well as 9 for the Office of the Inspector General. The projects are comprised of 1 performance audit and 11 contract, financial and compliance audits.

The completed performance audit is 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 6.

Performance Audits

This section includes performance audits completed in accordance with the International Standards for the Professional Practice of Internal Auditing and 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.

Real Estate Management System

MAS completed an advisory report for the Real Estate Management System now under implementation. The objective of the advisory report was to summarize the audit recommendations from MAS Report No. 14-EDD-P01, Performance Audit of Real Estate Property Management Follow-Up, issued August 31, 2016, that should now be included in the design requirements for the Asset Management module implementation.

Results of this review were provided to Planning during the system implementation phase for general application controls development. This follow-up project ensures the new system addresses all outstanding previously reported issues. Implemented recommendations or areas outside the scope of the new system were excluded from this review. Management agreed with all nine recommendations in this 2023 MAS report.

Contract, Financial & Compliance Audits

MAS staff completed 11 independent auditor's report on agreed-upon procedures for the following projects:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Los Angeles Board of Harbor Commissioners – I-710 Eco-FRATIS Drayage Truck Efficiency Project	\$239,808	\$192
AECOM Technical Services, Inc. – Vermont Transit Corridor Project	N/A	N/A
Guida Surveying, Inc. – Vermont Transit Corridor Project	N/A	N/A
NN Engineering, Inc. – Vermont Transit Corridor Project	N/A	N/A
TY Lin International – Vermont Transit Corridor Project	N/A	N/A
Vicus, LLC. – Vermont Transit Corridor Project	N/A	N/A
RAW International, Inc. – Vermont Transit Corridor Project	N/A	N/A
Terry A. Hayes Associates, Inc. – Vermont Transit Corridor Project	N/A	N/A
V&A, Inc. – Vermont Transit Corridor Project	N/A	N/A
City of Malibu – Pacific Coast Highway at Big Rock Dr. Intersection Improvements and at La Costa Area Pedestrian Improvements Project	\$744,506	\$557,956
City of Pico Rivera – Rosemead Boulevard and Whittier Boulevard Intersection Improvements Project	\$1,617,470	\$204,030
Total Amount	\$2,601,784	\$762,178

Details on contract, financial and compliance audits completed during FY 2024 first quarter are included in Appendix B.

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of September 30, 2023.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief People Office	1		3	
Chief Safety Office	3		2	
Operations	15			
Total	19		5	

OIG Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief Safety Office	9			
Total	9			

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

Appendix A

Performance Audit - In Progress Audits as of September 30, 2023				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Operations	21-SEC-P01 - Business Continuity Plan (Rail)	Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.	12/2023
2	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. Training records will be assessed for accuracy and completeness.	1/2024
3	Program Management	23-OMB-C01 - Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for capital projects. Consider the construction market analyses done by Program Management as well as any consideration that has been given to hedging strategies, estimating and forecasting efforts related to this area.	2/2024
4	Strategic Financial Management \ Chief People Office	23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers)	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.	2/2024
5	Program Management	24-CON-P01 - Eastside Access Improvement Project (EAIP)	Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.	2/2024
6	Operations	23-SEC-P01 Business Continuity Plan (Bus)	Evaluate the adequacy of Bus Operations' Continuity of Operations Plan and Standard Operating Procedures to support Bus Operations' mission essential functions during emergencies.	3/2024
7	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. Assess the process used to determine the use of firm fixed price professional services contracts.	3/2024
8	Strategic Financial Management	23-VCM-P03 Spare Parts Inventory	Assess whether Logistics is managing critical spare parts inventory effectively and in accordance with Metro policies and procedures. This includes examining methodology for identifying critical components and ensuring that the necessary spare parts are readily available.	3/2024

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	23-HWY-A01 - Agreed Upon Procedures	City of Los Angeles	7/2023
2	Planning & Development	23-PLN-A17(A) - Agreed Upon Procedures	AECOM Technical Services, Inc.	7/2023
3	Planning & Development	23-PLN-A17(D) - Agreed Upon Procedures	Guida Surveying, Inc.	7/2023
4	Planning & Development	23-PLN-A17(F) - Agreed Upon Procedures	NN Engineering, Inc.	7/2023
5	Planning & Development	23-PLN-A17(G) - Agreed Upon Procedures	TY Lin International	7/2023
6	Planning & Development	23-PLN-A17(I) - Agreed Upon Procedures	Vicus, LLC	7/2023
7	Planning & Development	23-HWY-A02 - Agreed Upon Procedures	City of Malibu	8/2023
8	Planning & Development	23-HWY-A05 - Agreed Upon Procedures	City of Pico Rivera	8/2023
9	Planning & Development	23-PLN-A17(B) - Agreed Upon Procedures	RAW International, Inc.	8/2023
10	Planning & Development	23-PLN-A17(C) - Agreed Upon Procedures	Terry A. Hayes Associates, inc.	8/2023
11	Planning & Development	23-PLN-A17(H) - Agreed Upon Procedures	V&A, Inc.	8/2023

Appendix C

Open Audit Recommendations as of September 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	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	
2	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	
3	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	
4	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
5	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.

Management Audit Services

FY 2024 First Quarter Report

Finance, Budget & Audit Committee
November 15, 2023

Kimberly Houston, Deputy Chief Auditor



MANAGEMENT
AUDIT SERVICES

In Progress: MAS Audit Activity

Agency Representation



- 7 Performance Audits
- 75 Contract, Financial and Compliance Audits

In Progress: Performance Audits

			Estimated Completion	
	Audit Title	Description	FY24 Q2 Oct - Dec	FY24 Q3 Jan - Mar
1	Business Continuity of Operations Plan (COOP) Rail	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.		
2	OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees with applicable requirements, completeness and accuracy.		
3	Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for construction projects.		
4	Third Party Risk Management	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.		
5	Eastside Access Improvement Project	Assess whether usage of funds, including grants, complied with applicable terms and determine whether the executed scope aligned with the board approved scope and other agreements.		
6	Contract Price Structures	Assess the process performed for firm fixed price professional service contracts.		
7	COOP Bus	Evaluate the adequacy of Bus Operations' COOP and SOPs to support Bus Operations' mission essential functions during emergencies.		
8	Spare Parts Inventory	To assess whether Logistics is managing critical spare parts inventory effectively and in accordance with Metro policies and procedures.		

Completed: Real Estate Management System

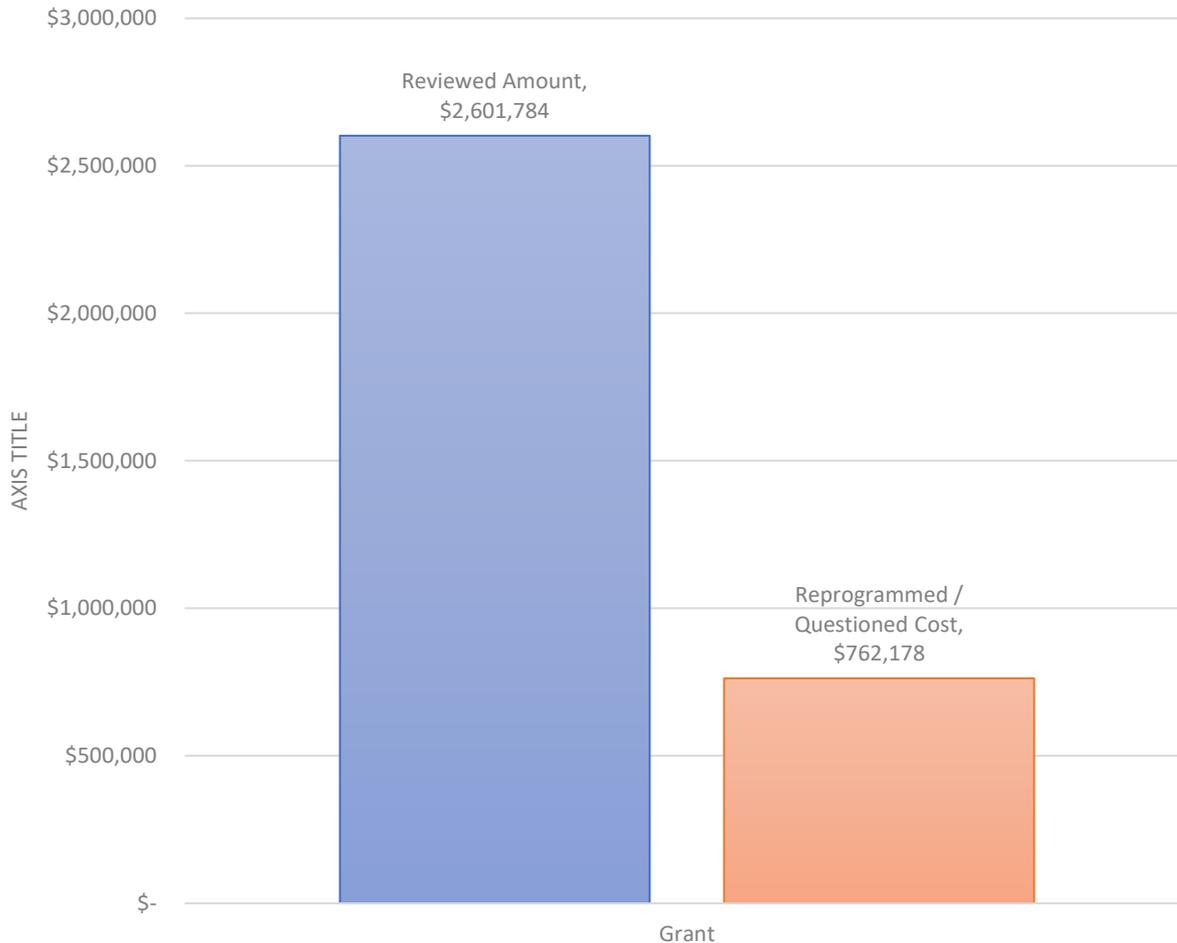
Objective

Summarize the audit recommendations from MAS Report No. 14-EDD-P01, Performance Audit of Real Estate Property Management Follow-Up, issued August 31, 2016, that should now be included in the design requirements for the Asset Management module implementation.

Audit Results

Results of this review were provided to Planning during the system implementation phase for general application controls development. This follow-up project ensures the new system addresses all outstanding previously reported issues

Completed: Contract, Financial & Compliance Audits



- Delivered financial audits that reviewed \$2.6M of funding; and identified \$762k (29%) for reprogramming

Thank you