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**Agenda - Final**

**Wednesday, February 17, 2021**

**1:30 PM**

To give written or live public comment, please see the top of page 4

## **Finance, Budget and Audit Committee**

*James Butts, Chair*

*Kathryn Barger, Vice Chair*

*Paul Krekorian*

*Holly Mitchell*

*Tim Sandoval*

*Tony Tavares, non-voting member*

*Phillip A. Washington, Chief Executive Officer*

## **METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES**

### **(ALSO APPLIES TO BOARD COMMITTEES)**

#### **PUBLIC INPUT**

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

**CONDUCT IN THE BOARD ROOM** - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

**REMOVAL FROM THE BOARD ROOM** The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

#### **INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD**

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at [www.metro.net](http://www.metro.net) or on CD's and as MP3's for a nominal charge.

## DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

## ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

## LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876. Live Public Comment Instructions can also be translated if requested 72 hours in advance.



**323.466.3876**

x2 *Español (Spanish)*

x3 *中文 (Chinese)*

x4 *한국어 (Korean)*

x5 *Tiếng Việt (Vietnamese)*

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General Information/Rules of the Board - (213) 922-4600

Internet Access to Agendas - [www.metro.net](http://www.metro.net)

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**NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA**

### Live Public Comment Instructions:

Live public comment can only be given by telephone.

The Committee Meeting begins at 1:30 PM Pacific Time on February 17, 2021; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter  
English Access Code: 8231160#  
Spanish Access Code: 4544724#

***To give public comment on an item, enter #2 (pound two) when that item is taken up by the Board. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.***

### Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo solo se pueden dar por telefono.

La Reunion de la Junta comienza a las 1:30 PM, hora del Pacifico, el 17 de Febrero de 2021. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 888-251-2949 y ingrese el codigo  
Codigo de acceso en ingles: 8231160#  
Codigo de acceso en espanol: 4544724#

***Para dar un comentario publico sobre un tema, ingrese #2 (Tecla de numero y dos) cuando ese tema mencionado por la Junta. Por favor tenga en cuenta que la transmission de video en vivo tiene un retraso de aproximadante 30 segundos con respecto a la reunión real. No hay retraso en la linea de comentarios publicos.***

### Written Public Comment Instructions:

Written public comments must be received 5PM the day before the meeting.

Email: goinsec@metro.net

Post Office Mail:

Board Secretary's Office

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

**CALL TO ORDER**

**ROLL CALL**

**APPROVE Consent Calendar Items: 5 and 6.**

**Consent Calendar items are approved by one vote unless held by a Director for discussion and/or separate action.**

**CONSENT CALENDAR**

**5. SUBJECT: INVESTMENT POLICY** [2020-0475](#)

**RECOMMENDATION**

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

**Attachments:**      [Attachment A - Investment Policy](#)  
                                 [Attachment B - Financial Institutions Resolution](#)

**6. SUBJECT: SALE OF EXEMPT SURPLUS LAND** [2020-0908](#)

**RECOMMENDATION**

DECLARE that portions of 13848 Rosecrans Avenue (RM-27) and 13900 Rosecrans Avenue (RM-28) are not necessary for use by LACMTA and are "exempt surplus land" as defined in Section 54221(f)(1) (C) of the California Surplus Land Act (the "Act") (California Gov. Code Sections 54220-54234).

**Attachments:**      [Attachment A- Site Plan for RM-27 and RM-28 Surplus Property](#)  
                                 [Attachment B- Right of Way Requirements for RM-23 and RM-24 Adjacent Prop](#)

**NON-CONSENT**

**8. SUBJECT: FISCAL YEAR 2022 BUDGET DEVELOPMENT PROCESS** [2020-0904](#)

**RECOMMENDATION**

RECEIVE AND FILE The Fiscal Year 2022 (FY22) Budget Development

**Attachments:** ATTACHMENT A - PUBLIC OUTREACH FORUMS AND MEDIA CHANNELS

- ## RECOMMENDATION

**Attachments:** Attachment A - Management Audit Services Second Quarterly FY 2021 Report

- ## RECOMMENDATION

**Attachments:**      [Attachment A: Final Report on the Review of Metro Standard Operating Procedures](#)  
[Presentation](#)

- RECEIVE General Public Comment

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S  
SUBJECT MATTER JURISDICTION



## Board Report

File #: 2020-0475, File Type: Policy

Agenda Number: 5.

### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 17, 2021

**SUBJECT: INVESTMENT POLICY**

**ACTION: APPROVE RECOMMENDATIONS**

#### **RECOMMENDATION**

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

#### **ISSUE**

Section 53646 of the Code, requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolutions to the Board annually for approval.

#### **BACKGROUND**

Metro's investment policy allows for temporary idle funds to be invested consistent with Board approved investment policy guidelines. The policy is updated on an annual basis and was last updated February 27, 2020.

#### **DISCUSSION**

The Board approves the objectives and guidelines that direct the investment of operating funds. A redlined version of the investment policy is presented in Attachment A. One change was made to the policy to conform to California Government Code language.

Financial Institutions require Board authorization to establish custody, trustee and commercial bank accounts. A redlined version of the resolution is presented in Attachment B. Changes reflect position title changes.

To streamline this board report, the following reference materials may be found on the Internet:

Current Investment Policy:

[<http://media.metro.net/about\\_us/finance/images/investment\\_policy.pdf>](http://media.metro.net/about_us/finance/images/investment_policy.pdf)

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

[http://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1)

## **FINANCIAL IMPACT**

The funds required to update the Investment Policy are included in the FY21 budget in cost center 5210 and project number 610340.

### **Impact to Budget**

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These funds are not eligible for bus and rail operating and capital expenses.

## **ALTERNATIVES CONSIDERED**

The Investment Policy and California Government Code require an annual review and adoption of the Investment Policy, delegation of investment authority, and approval of Attachment B - Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the resolution, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

## **NEXT STEPS**

Upon Board approval, distribute the Investment Policy to external investment managers and broker-dealers. Issue copies of the Investment Policy and the Financial Institutions Resolution to our financial institutions.


## **ATTACHMENTS**

Attachment A - Investment Policy

Attachment B - Financial Institutions Resolution

Prepared by: Marshall M. Liu, Sr. Investment Manager, (213) 922-4285  
Mary E. Morgan, DEO, Finance, (213) 922-4143  
Donna R. Mills, Treasurer, (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



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Phillip A. Washington  
Chief Executive Officer

**ATTACHMENT A**

*Los Angeles County Metropolitan Transportation Authority*

# INVESTMENT POLICY

Approved on ~~February 25, February 27, 2021~~10

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# INVESTMENT POLICY

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## **1.0 Policy**

It is the policy of the Los Angeles County Metropolitan Transportation Authority (LACMTA) to ensure that the temporarily idle funds of the agency are prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings, and conforming to state and local statutes governing the investment of public funds.

This investment policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this investment policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this investment policy. Changes to the Code that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).

## **2.0 Scope**

- 2.1 This investment policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this investment policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District), Other Post Employment Benefit (OPEB) Trust funds and Pension Trust Funds.
- 2.2 Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this investment policy remain in compliance with this investment policy, and shall report to the Board regularly on compliance.

## **3.0 Investment Objectives**

- 3.1 The primary objectives, in priority order, of investment activities shall be:
  - A. **Safety:** Safety of principal is the foremost objective of the investment program. The investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The LACMTA shall seek to ensure that capital losses are avoided whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - B. **Liquidity:** The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
  - C. **Return on Investments:** The LACMTA shall manage its funds to maximize the return on investments consistent with the two objectives above, with the goal of exceeding the performance benchmarks (Section 12.0) over a market cycle (typically a three to five year period).
- 3.2 It is policy to hold investments to maturity. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.

Internal and external investment managers shall report such losses to the Treasurer and Chief Financial Officer immediately.

3.3

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing LACMTA funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

3.4 The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy, written portfolio guidelines and procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment report to the Board, and appropriate action is taken to control adverse developments.

#### **4.0 Delegation of Authority**

4.1 The Board shall be the trustee of funds received by the LACMTA. In accordance with Code Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.

4.2 The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, including establishment of appropriate written agreements with financial institutions. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Treasurer may engage independent investment managers to assist in the investment of its financial assets.

4.3 No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.

4.4 Officers and employees involved in the investment process shall be governed by the standards regarding ethical behavior and conflicts of interest established in the Los Angeles County Metropolitan Transportation Authority Ethics Policy and annually shall file a Statement of Economic Disclosure with the Ethics Office.

#### **5.0 Permitted Investments**

5.1 All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A and as specifically authorized by the Code, (Sections 53600, et seq.). Securities held by the LACMTA's custodial bank must be in compliance with Section 5.0 Permitted Investments at the time of purchase.

- 5.2 In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment.
- A. Percentage limitations where listed are only applicable at the date of purchase.
  - B. In calculating per issuer concentration limits commercial paper, bankers' acceptances, medium term notes, asset-backed securities, placement service assisted deposits, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation.
  - C. Credit requirements listed in this investment policy indicate the minimum credit rating (or its equivalent by any nationally recognized statistical rating organization) required at the time of purchase without regard to modifiers (e.g., +/- or 1,2,3), if any.
- 5.3 Maturities of individual investments shall be diversified to meet the following objectives:
- A. Investment maturities will be first and foremost determined by anticipated cash flow requirements.
  - B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of purchase, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment. The Board hereby grants express authority for the purchase of new issue securities with a 5 year stated maturity with extended settlement of up to 30 days from date of purchase.
  - C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years.
- 5.4 State and local government sponsored Investment Pools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12.
- 5.5 This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:
- A. Derivative securities, defined as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments, financial futures and options, and mortgage derived interest or principal only strips. Callable or putable securities with no other option features, securities with one interest rate step-up feature, and inflation indexed securities meeting all other requirements of this investment policy are excluded from this prohibition, as are fixed rate mortgage-backed securities and asset-backed securities.
  - B. Reverse repurchase agreements and securities lending agreements.

## **6.0 Selection of Depository Institutions, Investment Managers and Broker-Dealers**

- 6.1 To minimize the risk to the overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of Financial Institutions in which funds are deposited or invested. The LACMTA's Financial Advisor (FA) will conduct competitive processes to recommend providers of financial services including commercial banking, investment management, investment measurement and custody services.
- A. In selecting Depositories pursuant to Code Sections 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency. The main depository institutions will be selected on a periodic and timely basis.
  - B. Deposits which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the collateralization requirements of Section 7.3 of this investment policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.
  - C. The Treasurer shall seek opportunities to deposit funds with disadvantaged business enterprises, provided that those institutions have met the requirements for safety and reliability and provide terms that are competitive with other institutions.
- 6.2 In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this investment policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.
- 6.3 Pursuant to Code Section 53601.5, the LACMTA and its investment managers shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.
- A. Internal investment manager will only purchase or sell securities from broker-dealers that are Primary Dealers in U.S. Government Securities or are a direct affiliate of a Primary Dealer. Internal investment manager will only purchase securities from broker-dealers who have returned a signed Receipt of Investment Policy and completed the Broker-Dealer Questionnaire, and have been approved by the Treasurer (see Appendices B and C). A current copy of the Broker-Dealer's financial statements will be kept on file in the Treasury Department. Should market conditions limit access to inventory, the Treasurer may approve executing transactions through non-Primary Dealers who meet all of the criteria listed below:
    - a. The broker dealer must qualify under Securities Exchange Commission rule 15C3-1 (Uniform Net Capital Rule);

- b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. FINRA, SEC, MSRB);
- c. Have been in operation for more than five years; and
- d. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in U.S. Treasuries and Agencies.

B. In addition to Primary Dealers in U.S. Government Securities and direct affiliates of a Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a member of the Financial Industry Regulatory Authority. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.

C. External investment managers must certify in writing that they will purchase securities in compliance with this investment policy, LACMTA Procedures, and applicable State and Federal laws.

6.4 Financial institutions and external investment managers conducting investment transactions with or for LACMTA shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity:

- A. Has read and is familiar with the Investment Policy and Guidelines as well as applicable Federal and State Law;
- B. Meets the requirements as outlined in this investment policy;
- C. Agrees to make every reasonable effort to protect the assets from loss;
- D. Agrees to notify the LACMTA in writing of any potential conflicts of interest.

Completed certifications shall be filed in the Treasurer's Office. Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by that financial institution, or investment manager and/or the rescission of any and all authority to act as an agent to purchase or invest funds.

6.5 All broker-dealers who do business with the LACMTA's internal investment managers shall sign a Receipt of Investment Policy. The Receipt of Investment Policy (see Appendix B) states that the broker dealer:

- A. Has received, read, and understands this investment policy;
- B. Has communicated the requirements of this investment policy to all personnel who may select investment opportunities for presentation.

Failure to submit a Receipt of Investment Policy shall preclude the LACMTA from purchasing or selling securities from such broker-dealer. Completed receipts shall be filed in the Treasurer's Office.

## **7.0 Custody and Safekeeping of Securities and LACMTA Funds**

- 7.1 A Master Repurchase Agreement must be signed with the bank or dealer before any securities and collateral for repurchase agreements shall be purchased and maintained for the benefit of the LACMTA in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the LACMTA and the bank. Specific collateralization levels are defined in Section 5.1A.
- 7.2 All investment transactions shall be settled "delivery vs. payment", with the exception of deposits, money market mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.
- 7.3 Funds deposited shall be secured by a Depository in compliance with the requirements of Code Section 53652. Such collateralization shall be designated and agreed to in writing.

## **8.0 Reports and Communications**

- 8.1 The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this investment policy.
- 8.2 The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved investment policy will remain in effect until the Board approves the recommended statement of investment policy.
- 8.3 The Treasurer shall render a quarterly cash, investment, and transaction report to the CEO and Board, and quarterly to the Internal Auditor within 30 days following the end of the quarter covered by the report. The report shall include a description of LACMTA's funds, investments, or programs that are under the management of contracted parties, including lending programs. The report shall include as a minimum:
  - A. Portfolio Holdings by Type of Investment and Issuer
  - B. Maturity Schedule and Weighted Average Maturity (at market)
  - C. Weighted Average Yield to Maturity
  - D. Return on Investments versus Performance Benchmarks on a quarterly basis
  - E. Par, Book and Market Value of Portfolio for current and prior quarter-end
  - F. Percentage of the portfolio represented by each investment category
  - G. Total Interest Earned
  - H. Total Interest Received
  - I. A statement of compliance with this investment policy, or notations of non-compliance.

- J. At each calendar quarter-end a subsidiary ledger of investments will be submitted with the exception listed in 8.3K.
- K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this investment policy and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3 J.
- L. At each calendar quarter-end the report shall include a statement of the ability to meet expenditure requirements for the next six months.
- M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.

8.4 Internal and external investment managers shall monitor investments and market conditions and report on a regular and timely basis to the Treasurer.

- A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this investment policy. Portfolios shall be marked-to-market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.
- B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this investment policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.
- C. External and internal investment managers shall immediately inform the Treasurer, or the Chief Financial Officer in writing of any major adverse market condition changes and/or major portfolio changes. The Chief Financial Officer or the Treasurer shall immediately inform the Board in writing of any such changes.
- D. External investment managers shall notify the LACMTA internal managers daily of all trades promptly, via fax or via email.
- E. Internal investment managers will maintain a file of all trades.

## **9.0 Portfolio Guidelines**

Portfolio Guidelines are the operating procedures used to implement this investment policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by this investment policy.

## **10.0 Internal Control**

10.1 The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee or third party error, misrepresentation of third parties, unanticipated

changes in financial markets, or imprudent actions by employees or agents. Such internal controls shall be approved by the Chief Financial Officer and shall include authorizations and procedures for investment transactions, custody/safekeeping transactions, opening and dosing accounts, wire transfers, and clearly delineate reporting responsibilities.

- 10.2 Treasury personnel and LACMTA officials with signature authority shall be bonded to protect against possible embezzlement and malfeasance, or at the option of the governing board self-insured.
- 10.3 Electronic transfer of funds shall be executed upon the authorization of two official signatories.
- 10.4 Transaction authority shall be separated from accounting and record keeping responsibilities.
- 10.5 All investment accounts shall be reconciled monthly with custodian reports and broker confirmations by a party that is independent of the investment management function. Discrepancies shall be brought to the attention of the investment manager, the Treasurer and Deputy Executive Officer, Finance in the Treasury Department, the Controller, and if not resolved promptly, to the Chief Financial Officer.
- 10.6 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide independent confirmation of compliance with policies and procedures.
- 10.7 The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.

Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this investment policy.

- 10.8 The Treasurer shall annually submit the Financial Institutions Resolution to the Board for approval. The existing resolution will remain in effect until the Board approves the recommended resolution.

#### **11.0 Purchasing Guidelines**

- 11.1 Investment managers shall purchase and sell securities at the price and execution that is most beneficial to the LACMTA. The liquidity requirements shall be analyzed and an interest rate analysis shall be conducted to determine the optimal investment maturities prior to requesting bids or offers. Investments shall be purchased and sold through a competitive bid/offer process. Bids/offers for securities of comparable maturity, credit and liquidity shall be received from at least three financial institutions, if possible.
- 11.2 Such competitive bids/offers shall be documented on the investment managers' trade documentation. Supporting documentation from the Wall Street Journal, Bloomberg or other financial information system shall be filed with the trade documentation as evidence of general market prices when the purchase or sale was effected.

#### **12.0 Benchmarks**

Internal and external investment managers' performance shall be evaluated against the following agreed upon benchmarks. If the investment manager does not meet its benchmark over a market cycle (3 to 5 years), the Treasurer shall determine and set forth in writing reasons why it is in the best interests of the LACMTA to replace or retain the investment manager.

Portfolio  
Intermediate Duration Portfolios

Investment Benchmarks  
ICE Bank of America/Merrill Lynch AAA-A  
1-5 year Government & Corporate Index  
(BV10)

Short Duration Portfolios

Three month Treasury

**Los Angeles County Metropolitan Transportation Authority  
Section 5.1A  
Statement of Investment Policy <sup>a</sup>**

**\* The percentage of portfolio authorized is based on market value.**

<b>Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Allowable Percentage of Portfolio *</b>	<b>Minimum Quality and Other Requirements</b>
Bonds Issued by the LACMTA	5 years <sup>b</sup>	100%	None
U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for payment of principal and interest	5 years <sup>b</sup>	100%	None
Registered state warrants or treasury notes or bonds of the other 49 states in addition to California.	5 years <sup>b</sup>	25%	Such obligations must be rated "A1" or better short term; or "AA" or better long term, by a nationally recognized statistical rating organization
Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California	5 years <sup>b</sup>	25%	Such obligations must be rated "A1" or better short term; or "AA" or better long term, by a nationally recognized statistical rating organization
Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government –sponsored enterprises	5 years <sup>b</sup>	50% <sup>d</sup>	See Footnote d
Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances	180 days	40% <sup>c</sup>	The issuer's short-term debt must have the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization
Commercial paper or "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization	270 days	25% <sup>c</sup>	See Footnote e
Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed branch of a foreign bank, or a federally licensed branch of a foreign bank.	5 years <sup>b</sup>	30% <sup>c</sup>	See Footnote f

Placement Service Assisted Deposits	5 years <b>b</b>	30% <b>c</b>	See Footnote g
Investments in repurchase agreements	90 days	20%	Limited to no more than 90 days. See Footnote h
United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank.	5 years <b>b</b>	30% <b>c</b>	Maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated "AA" or better by a nationally recognized statistical rating organization and shall not exceed 30% of the portfolio.
Medium-term notes issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States	5 years <b>b</b>	30% <b>c</b>	Must be rated "A" or better by a nationally recognized statistical rating organization. If rated by more than one rating agency, both ratings must meet the minimum credit standards.
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission, as authorized by Code Section 53601	Not applicable	20% <b>c</b>	See Footnote i
State of California Local Agency Investment fund (LAIF) Code Section 16429.1 through 16429.4 or other Local Government Investment Pool (LGIP) established by public California entities pursuant to Section 53684	Not applicable	Set by LAIF and LGIP	See Footnote j
Asset-backed Securities	5 years <b>b</b>	15% combined with mortgage-backed securities	See Footnote k
Mortgage-backed Securities	5 years <b>b</b>	15% combined with asset-backed securities	See Footnote l

**Los Angeles County Metropolitan Transportation Authority  
Statement of Investment Policy**

<b>Footnotes for Section 5.1A Statement of Investment Policy</b>	
A	Sources: California Government Code Sections 16429.1, 53601, 53601.8, 53635 and 53638
B	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to the purchase. New issue securities with a stated 5 year maturity can be purchased in the primary market with extended settlements of up to 30 days from the date of purchase.
C	Limited to no more than 10% of the portfolio in any one issue (i.e. bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, and money market funds)
D	No more than 15% of portfolio in any one Federal Agency or government-sponsored issue
E	Eligible paper is further limited to 10% of the outstanding paper of an issuing corporation, the issuing corporation must be organized and operating within the United States <u>as a general corporation</u> and having total assets in excess of \$500,000,000 and have an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized statistical rating organization. Issuing corporations that are organized and operating within the United States <u>as a special purpose corporation, trust, or limited liability company, and have programwide credit enhancements including but not limited to overcollateralization, letters of credit, or a surety bond, and have total assets in excess of \$500 million dollars</u> and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided by a nationally recognized statistical rating organization
F	The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union
G	Investments in placement services assisted deposits is authorized under Sections 53601.8, 53635.8, and 53601 (i) of the California Government Code.
H	Repurchase agreements shall be executed through Primary Broker-Dealers. The repurchase agreement must be covered by a master repurchase agreement. Repurchase agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager. Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The LACMTA shall obtain a first lien and security interest in all collateral
I	Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations, or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code §53601 a-k inclusive and m-o inclusive and

**Commented [MM1]:** To conform language to CA Gov't Code

	with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies
J	Maximum investment per individual pool limited to the amount for LAIF as set by the State Treasurer's Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool. Each pool must be evaluated and approved by the Treasurer, as to credit worthiness, security, and conformity to state and local laws. An evaluation should cover, but is not limited to establishing, a description of who may invest in the program, how often, what size deposit and withdrawal; the pool's eligible investment securities, obtaining a written statement of investment policy and objectives, a description of interest calculations and how it is distributed; how gains and losses are treated; a description of how the securities are safeguarded and how often the securities are priced and the program audited. A schedule for receiving statements and portfolio listings. A fee schedule, when and how fees are assessed
K	Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AA" or its equivalent or better as provided for by a nationally recognized statistical rating organization. Further limited to fixed rate, publicly offered, generic credit card, automobile receivables, and equipment receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million
L	Pass-Through securities: Limited to Government Agency or Government Sponsored issuers, fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers and Planned Amortization Classes (PAC) only. Securities eligible for investment under this category shall be rated "AA" or its equivalent or better by a nationally recognized statistical rating organization. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures

## APPENDIX A

# LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

## CERTIFICATION OF UNDERSTANDING

The Los Angeles County Metropolitan Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers' conducting investment transactions with or for LACMTA sign a Certification of Understanding acknowledging that:

1. *You have read and are familiar with the LACMTA's Investment Policy as well as applicable Federal and State laws.*
2. *You meet the requirements as outlined in Investment Policy.*
3. *You agree to make every reasonable effort to protect the assets from loss.*
4. *You agree to notify the LACMTA in writing of any potential conflicts of interest.*
5. *You agree to notify the LACMTA in writing of any changes in personnel with decision-making authority over funds within 24 hours of such event.*

Failure to submit a Certification of Understanding shall result in the withdrawal of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the LACMTA for the purchase of securities or investment of funds on behalf of LACMTA.

The Board of Directors is committed to the goals of the Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

SIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_  
Print Name and Title \_\_\_\_\_

After reading and signing this Certification of Understanding please return with *any* supporting documentation to:

LACMTA  
Treasury Department  
Attention: Treasurer  
One Gateway Plaza  
Los Angeles, CA 90012-2932

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**LACMTA use only:**

Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_

LACMTA Treasurer

**APPENDIX B**

**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**BROKER-DEALER RECEIPT OF INVESTMENT POLICY**

We are in receipt of the Los Angeles County Metropolitan Transportation Authority's (LACMTA) Investment Policy.

We have read the policy and understand the provisions and guidelines of the policy. All salespersons covering LACMTA's account will be made aware of this policy and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to LACMTA.

Signed \_\_\_\_\_  
Name Name

Title	Title
-------	-------

Firm Name

Date	Date
------	------

After reading and signing this Receipt of Investment Policy, please return with supporting documentation to:

LACMTA  
Treasury Department  
Attention: Treasurer  
One Gateway Plaza  
Los Angeles, CA 90012-2932

**LACMTA use only:**  
 Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Date: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 LACMTA Treasurer

## APPENDIX C

### LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

#### BROKER/DEALER QUESTIONNAIRE

1. Name of Firm\_\_\_\_\_

2. Address\_\_\_\_\_

(Local)

(National Headquarters)

3. Telephone No. ( ) \_\_\_\_\_

(Local)

(National Headquarters)

4. Primary Representative Manager/Partner-in-Charge

Name\_\_\_\_\_

Title\_\_\_\_\_

Telephone No.\_\_\_\_\_

No. of Yrs. in Institutional Sales\_\_\_\_\_

Number of Years with Firm\_\_\_\_\_

5. Are you a Primary Dealer in U.S. Government Securities? [ ] YES [ ] NO

If NO, Is the parent company or its subsidiary a Primary Dealer in U.S. Government Securities? Provide proof of certification.

[ ] YES [ ] NO

Please explain your firm's relationship to the Primary Dealer below:

Please provide proof certification from the National Association of Securities Dealer.

6. Are you a Broker instead of Dealer, i.e., you DO NOT own positions of Securities?

[ ] YES [ ] NO

7. What is the net capitalization of your Firm? \_\_\_\_\_

8. What is the date of your Firm's fiscal year-end? \_\_\_\_\_

9. Is your Firm owned by a Holding Company? If so, what is its name and net capitalization?

\_\_\_\_\_

10. Please provide your Wiring and Delivery Instructions.

\_\_\_\_\_

11. Which of the following instruments are offered regularly by your local desk?

☐ T-Bills    ☐ Treasury Notes/Bonds    ☐ Discount Notes    ☐ NCD's  
☐ Agencies (specify) \_\_\_\_\_  
☐ BA's (Domestic)    ☐ BA's (Foreign)    ☐ Commercial Paper  
☐ Med-Term Notes    ☐ Repurchase Agreements

12. Does your Firm specialize in any of the instruments listed above?

\_\_\_\_\_

13. Please identify your comparable government agency clients in the LACMTA's geographical area.

<u>Entity</u>	<u>Contact Person</u>	<u>Telephone No.</u>	<u>Client Since</u>
---------------	-----------------------	----------------------	---------------------

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

14. What reports, confirmations, and other documentation would LACMTA receive? Please include samples of research reports or market information that your firm regularly provides to government agency clients.

15. What precautions are taken by your Firm to protect the interests of the public when dealing with government agencies as investors?

\_\_\_\_\_

\_\_\_\_\_

16. Have you or your Firm been censored, sanctioned or disciplined by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities within the past five years? ☐ YES ☐ NO

17. If yes, please explain

\_\_\_\_\_

18. Please provide your most recent audited financial statements within 120 days of your fiscal year-end.

19. Please indicate the current licenses of the LACMTA representatives:

Agent: \_\_\_\_\_ License or registration: \_\_\_\_\_

**APPENDIX D**  
**LOS ANGELES COUNTY METROPOLITAN**  
**TRANSPORTATION AUTHORITY**  
**INVESTMENT POLICY GLOSSARY**

**ASKED:** The price at which securities are offered from a seller.

**BANKERS' ACCEPTANCE (BA):** Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (or issuer - the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

**BID:** The price offered by a buyer of securities.

**BOOK VALUE:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable (marketable or transferable).

**COLLATERAL:** Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

**COMMERCIAL PAPER (CP):** Unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

**CUSTODY or SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT:** Delivery of securities with a simultaneous exchange of money for the securities.

**FEDERAL AGENCIES AND U.S. GOVERNMENT SPONSORED ENTERPRISES (AGENCIES):** U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). They include:

- ◆ Federal Home Loan Banks (FHLB)
- ◆ Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- ◆ Federal National Mortgage Association (FNMA or "Fannie Mae")
- ◆ Federal Farm Credit Banks (FFCB)
- ◆ Tennessee Valley Authority (TVA)

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MEDIUM TERM NOTES (MTN):** Interest bearing, continuously offered debt, issued in the 9 month to ten year maturity range. Deposit notes, like Certificates of Deposit, actually represent an interest bearing deposit at a bank or other depository institution.

**OFFER:** The price asked by a seller of securities.

**PAR VALUE:** The face value, or principal amount payable at maturity.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

**REPURCHASE AGREEMENT (RP OR REPO):** A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, whereby the security "buyer" in effect lends the "seller" money for the period of the agreement, and the difference between the purchase price and sale price determining the earnings. Dealers use RP extensively to finance their positions.

**SECURITIES & EXCHANGE COMMISSION (SEC):** An agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY NOTES AND BONDS:** Long-term U.S. Treasury securities having initial maturities of 2 to 30 years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

**YIELD TO MATURITY (YTM):** The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

**ATTACHMENT B**  
**FINANCIAL INSTITUTIONS RESOLUTION**

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA's name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Chief Financial Officer; Treasurer; Deputy Executive Officer, Finance in Treasury Department; Sr. Director, Finance in Treasury Department, or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

**CERTIFICATION**

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Michele Jackson  
Board Secretary

(SEAL)



## Board Report

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File #: 2020-0908, File Type: Policy

Agenda Number: 6.

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FINANCE, BUDGET AND AUDIT COMMITTEE  
FEBRUARY 17, 2021**SUBJECT: SALE OF EXEMPT SURPLUS LAND****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

DECLARE that portions of 13848 Rosecrans Avenue (RM-27) and 13900 Rosecrans Avenue (RM-28) are not necessary for use by LACMTA and are “exempt surplus land” as defined in Section 54221(f)(1)(C) of the California Surplus Land Act (the “Act”) (California Gov. Code Sections 54220-54234).

**ISSUE**

LACMTA acquired fee simple interest in 13848 and 13900 Rosecrans Avenue (“Subject Property”) for the Rosecrans/Marquardt Grade Separation Project (the “Project”). A portion of the Subject Property (shown in Attachment A) is not needed for the Project (such portion will be referred to hereinafter as the “Surplus Property”). Under Section 54221(b)(1) of the Act, “land shall be declared either “surplus land” or “exempt surplus land”, as supported by written findings, before a local agency may take any action to dispose of it consistent with an agency’s policies or procedures”.

**DISCUSSION****Exempt Surplus Land - Summary Findings**

The Act, as amended in October 2019, provides for the disposition of “surplus land” or “exempt surplus land” as defined in the Act. “Surplus Land” means land owned in fee simple by any local agency for which the local agency’s governing body takes formal action in a regular public meeting declaring that the land is surplus and is not necessary for the agency’s use. Pursuant to the Act, land may be declared either “surplus land” or “exempt surplus land”. As defined in Section 54221(f)(1)(C) of the Act, exempt surplus land includes “surplus land that a local agency is exchanging for another property necessary for the agency’s use”. If it is declared “exempt surplus land”, the Surplus Property will be conveyed to the owner (the “Owner”) of the adjacent land (“Adjacent Property”) located at 13861 Rosecrans Avenue, Santa Fe Springs, CA, as part of a settlement in connection with the acquisition of real property interests necessary for the Project.

**Discussion of Findings**

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Pursuant to Section 54221(f)(1)(C) “exempt surplus land” includes “surplus land that a local agency is exchanging for another property necessary for the agency’s use.” The exchange of the Surplus Property for other property interests necessary for LACMTA’s use complies with Section 54221(f)(1)(C) as follows:

*The Surplus Property to be Exchanged*

LACMTA acquired fee simple interest in the Subject Property for construction and operation of the Project. The Subject Property, more particularly described and depicted in Attachment A, is comprised of two parcels totaling approximately 78,844 square feet in size. Parcel A is approximately 14,438 square feet and Parcel B is approximately 64,406 square feet. There is approximately 6,944 square feet of Parcel A and 4,550 square feet of Parcel B, a total 11,494 square feet, comprising the Surplus Property, that will not be needed for the operation of the Project.

*Property Necessary for LACMTA Use*

The Adjacent Property, comprised of two project parcels, RM-23 and RM-24, is located at 13861 Rosecrans Avenue, Santa Fe Springs, CA. The Adjacent Property is improved with a 138,820-square foot concrete tilt-up industrial building and a 13,920-square foot 2-story office. The site area is 239,815 square feet and includes three assessor parcels: 8059-028-026, 028 & 029. There are 238 on-site parking spaces that are located on the three parcels. The zoning is Heavy Manufacturing.

The Project requires permanent and temporary property rights on RM-23 and RM-24 for the construction and operation of the Project. The Easements are depicted on Attachment “B” - Right of Way Requirements.

*Prior Board Action*

On September 25, 2020, during closed session, the LACMTA Board approved entering into a proposed tri-party agreement among LACMTA, the Owner and the City of Santa Fe Springs pertaining to transfer to of the Surplus Property and other City-owned land to the Owner. Due to timing considerations relating to the City’s obligations under such an agreement, the Owner and LACMTA staff have decided to forego the Tri-Party Agreement and any agreement concerning the City-owned land at this time. Removing the City-owned land does not change the compensation obligation for LACMTA. Declaration of the Surplus Property as exempt surplus land would have been required under the tri-party agreement and is therefore consistent with the prior Board action.

As a result of the design of the Project, nine (9) parking spaces will be lost from the Adjacent Property’s parking lot. LACMTA staff proposes to convey the Surplus Property to the Owner of the Adjacent Property to replace the lost parking spaces, and remedy potentially significant damages and diminution of value to the property. LACMTA’s appraiser determined that the benefits gained by conveying the additional land will effectively compensate for the lost parking and will eliminate significant damages potentially suffered by the Owner.

For the reasons described above, staff proposes to convey the Surplus Property to the Owner of the

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Adjacent Property as part of the consideration for acquiring the Easements. Under these circumstances and pursuant to the Act, the Property is exempt surplus land as defined by Cal. Gov. Code Section 54221(f)(1)(C).

### **DETERMINATION OF SAFETY IMPACT**

This Board action will not have an impact on LACMTA's safety standards.

### **FINANCIAL IMPACT**

Funding for the final settlement of the acquisition is included in the adopted FY21 budget, under Measure R 20% Highway Capital for the Rosecrans/Marquardt Grade Separation Project number 460066 and Cost Center 2415.

#### **Impact to Budget**

The approved FY21 budget is designated for the Rosecrans/Marquardt Grade Separation Project and does not have an impact to operations funding sources.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

#### **Equity Platform Framework Consistency**

Equity is afforded to property owners to engage and have a voice in the decision-making process with regards to the acquisition of their property.

#### **Strategic Plan Consistency**

The Board action is consistent with Metro Vision 2028 Goal #1: Provide high quality mobility options that enable people to spend less time traveling. Acquisition of property is a required step to acquire for the ultimate construction and operation of the Rosecrans/Marquardt Grade Separation Project which will provide an additional mobility option.

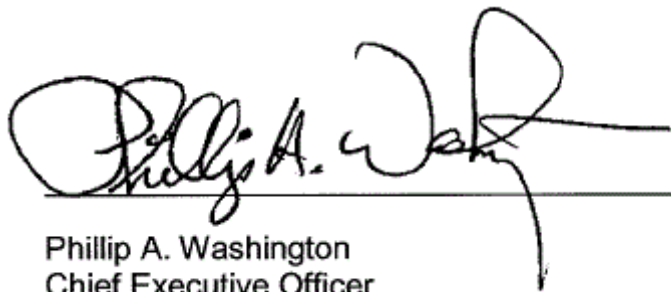
### **ATTACHMENTS**

Attachment A - Site Plan for RM-27 and RM-28 Surplus Property

Attachment B - Right of Way Requirements for RM-23 and RM-24 Adjacent Property

Prepared by: Craig Justesen, Deputy Executive Officer - Real Estate (213) 922-7051  
Holly Rockwell, Senior Executive Officer - Real Estate, Transit-Oriented Communities and Transportation Demand Management, (213) 922-5585

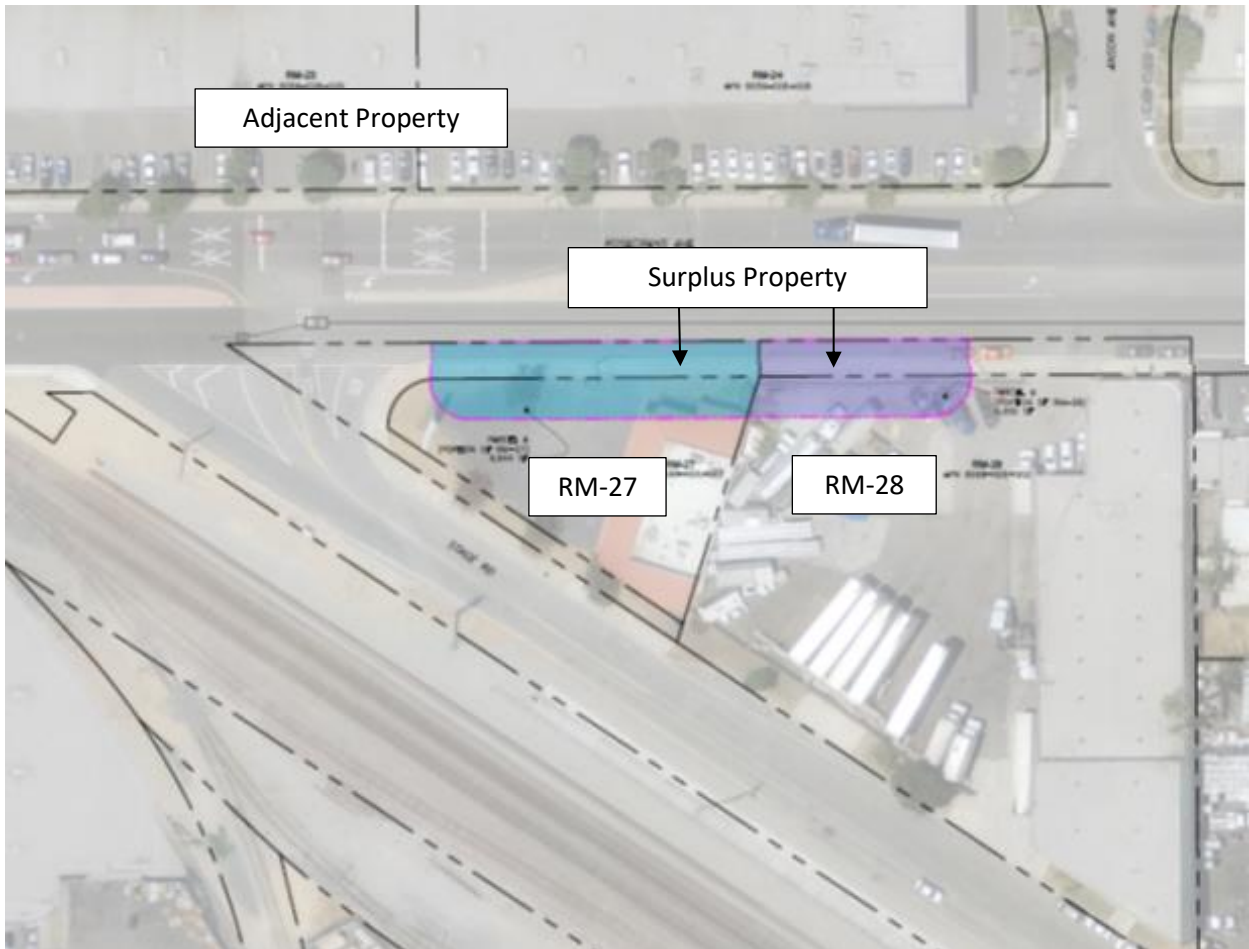
Reviewed by: James de la Loza, Chief Planning Officer (213) 922-2920



Phillip A. Washington  
Chief Executive Officer

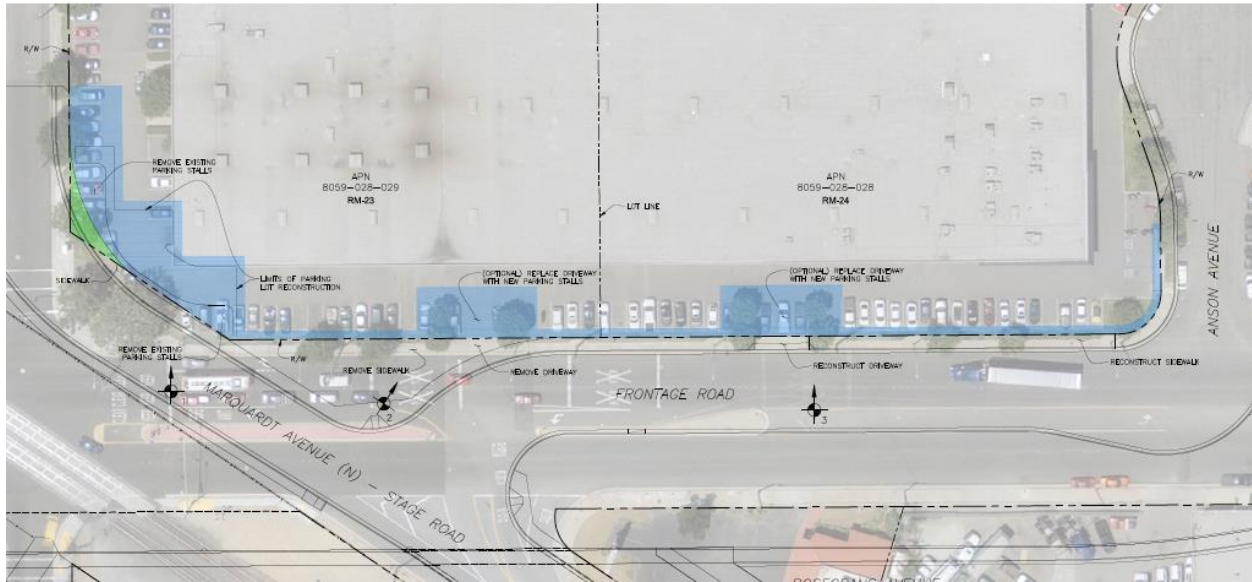
## ATTACHMENT A

### Site Plan for RM-27 and RM-28 Surplus Property



## ATTACHMENT B

### Right of Way Requirements for RM-23 and RM-24 Adjacent Property





## Board Report

**File #:** 2020-0904, **File Type:** Informational Report

**Agenda Number:** 8.

### FINANCE, BUDGET, AND AUDIT COMMITTEE FEBRUARY 17, 2021

**SUBJECT: FISCAL YEAR 2022 BUDGET DEVELOPMENT PROCESS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE The Fiscal Year 2022 (FY22) Budget Development Process

#### **ISSUE**

This is the first of a series of monthly updates to the Board to kick-off the FY22 Budget development process, scheduled for May 2021 Board Adoption. This report lays the framework for the annual budget development, with the primary objective to achieve Metro's goals in a manner that is fiscally sound and financially responsible.

This report begins with an outline of the planned budget process and schedule, followed by discussions of the approach used to forecast sales tax revenues and other resources, cost inflation and other program expense assumptions, and a section detailing a comprehensive public outreach program which seeks to maximize public input and ensure that Metro's stakeholders have an active role in the process.

#### **DISCUSSION**

##### **Budget Process and Schedule**

The FY22 Budget will continue Metro's missions to improve transit services, keep transit assets in a state of good repair, fund and plan for regional transportation programs and construct transit/transportation infrastructure according to voter approved sales tax ordinances, State and Federal regulations, Board approved policies and guidelines.

The FY22 Budget development process begins with forecasting and estimating the resources available for the upcoming year; taking into account the current economic environment, past historical performance, and projections from leading economic organizations. The CEO sets budget targets by program based on resource eligibility and availability with the prioritization criteria made up of four factors: Equity, Grant Funding Consideration, Project Readiness, and Project

Interdependency / Safety and Reliability. The equity budgeting tool is a new feature for staff to consider first when planning for the activities in FY22 from the start. The Senior Leadership Team (SLT) will work with the professional staff across the Agency to evaluate and build the budget requests. After resolving the difference of demands on the limited resources in the upcoming fiscal year, the CEO will move forward with the proposed FY22 Budget recommendation. Meanwhile, staff will provide regular updates to the board and engage the public to ensure transparency of the budget in progress and integrate the feedback to the FY22 Budget before proceeding to the Board for final approval.

Here is a summary of the schedule of topics to be presented over the next few months; culminating in final Board Adoption in May.

Month	Topic
February	Budget Parameters: <ul style="list-style-type: none"> <li>• Budget Development Process and Schedule</li> <li>• Stakeholder Outreach Plan</li> <li>• Sales Tax Forecast, Resources Assumption</li> <li>• Cost Inflation Estimate</li> <li>• Other Expense Assumptions</li> </ul>
March	Infrastructure Planning and Construction: <ul style="list-style-type: none"> <li>• Transit Rail and Bus</li> <li>• Highway</li> <li>• Regional Rail</li> </ul>
April	<ul style="list-style-type: none"> <li>• Metro Transit – Operations &amp; Maintenance and State of Good Repair</li> <li>• Subsidy Funding</li> <li>• Other Operating Programs</li> </ul>
May	Public Hearing and Board Adoption: <ul style="list-style-type: none"> <li>• Consolidated Agency-wide Expenses and FTEs Budget Proposal</li> <li>• Proposed Budget Book published on May 4, 2021</li> <li>• Public Hearing on May 19, 2021</li> <li>• Summary of Public Comment and Stakeholder Review</li> <li>• Final Board Adoption on May 27, 2021</li> </ul>

The upcoming development reports will include reviewing key economic factors affecting revenues and expenses, setting program deliverable objectives and resource requirements, incorporating stakeholder input and demonstrating agency accountability and performance through the first of its kind Performance Management tool.

## **Sales Tax Revenue Assumptions**

Metro relies on sales taxes for over 60% of its total revenues. In addition, cities and transit providers in Los Angeles County plan their operation based on our revenue projections. This fact necessitates a careful evaluation and forecasting of the sales tax growth rate to determine the funding levels for FY22.

Given the continuing uncertainty in the pandemic environment, the economic sector model developed for the FY21 Budget is used to isolate and evaluate the economic changes in specific segments of the economy. The following assumptions were used to develop the model projections:

- COVID-19 restrictions will still be in place at the start of the fiscal year in July and gradually be lifted over the first two quarters as vaccination rates increase;
- As businesses continue to adapt to the new normal, underlying economic growth will continue at a gradual pace;
- By the third quarter (January-March 2022), vaccination rates will allow for a broader reopening of the economy and the recovery will accelerate;
- Stimulus funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) will indirectly increase sales tax revenues in the same way the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding did.

Results from this model are compared to a multiple regression analysis. This analysis determines the relationship between the sales tax revenue, unemployment rate, Consumer Price Index, and population in Los Angeles County. Historical actuals since FY94 are employed as observations and a regression equation is derived. The FY22 sales tax revenue prediction reconciles closely with the economic sector model projection. Long term and short term historical receipts as well as leading professional forecasts of economic trends are also considered in the sales tax growth rate development.

Figure 1 displays Metro's current sale tax revenue projections per ordinance and how they compare to the pre-COVID-19 estimates. It is anticipated that sales tax revenue will finally exceed the pre-COVID-19 peak set in FY19 and reach \$865.0 million per ordinance in FY22, a 2.9% increase from the FY21 Midyear Reforecast. However, while the FY22 sales tax revenue is recovering from the depth of the pandemic decline, it is expected to still lag behind the pre-COVID-19 FY20 Budget level and remain below the pre-COVID-19 projection by 7.7% or \$72.3 million per ordinance.

Figure 1:

<b>Sales Tax Revenue per Ordinance (\$ in Millions)<sup>(1)</sup></b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>Total</b>
COVID-19 Scenario	\$ 824.7 <sup>(2)</sup>	\$ 840.8 <sup>(4)</sup>	\$ 865.0 <sup>(5)</sup>	\$ 2,530.5
% Change	-2.6%	2.0%	2.9%	
Pre-COVID-19 Scenario	\$ 873.0 <sup>(3)</sup>	\$ 910.0 <sup>(5)</sup>	\$ 937.3 <sup>(5)</sup>	\$ 2,720.3
% Change	3.1%	4.2%	3.0%	
COVID-19 Loss	\$ (48.3)	\$ (69.2)	\$ (72.3)	\$ (189.8)
% Loss	-5.5%	-7.6%	-7.7%	-7.0%

<sup>(1)</sup> Proposition A, Proposition C, Measure R and Measure M. Transportation Development Act (TDA) sales tax revenue is approximately 50% of the other ordinances.

<sup>(2)</sup> Actual sales tax receipts

<sup>(3)</sup> FY21 Adopted Budget

<sup>(4)</sup> FY21 Midyear Reforecast

<sup>(5)</sup> Projections

Figure 2 compares historical and current Metro's budget estimates to actual receipts and the leading regional forecasts. FY22 sales tax revenue projections from UCLA, Beacon Economics and Muni Services are between \$794.4 million to \$896.7 million per ordinance and Metro's estimate of \$865.0 million falls within the range.

Figure 2:

#### Sales Tax Forecast Comparison

(\$ in Millions)

<b>Forecast Source</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Actual</b>	\$ 789.4	\$ 836.7	\$ 846.8	\$ 824.7	\$ 840.8 <sup>(1)</sup>	-
<b>Metro- Adopted</b>	795.7	802.0	844.0	873.0	778.1	865.0 <sup>(2)</sup>
<b>UCLA</b>	807.4	810.0	863.6	838.1	770.2	794.4
<b>Beacon Economics</b>	806.2	816.9	835.4	843.5	892.3	896.7
<b>Muni Services</b>	806.2	803.6	827.7	868.1	737.3	881.7

(1) FY21 Midyear Reforecast

(2) FY22 Assumption

These growth rates will be reviewed and adjusted during the budget development process as more economic data becomes available. We will continue to monitor any COVID-19 impacts, trends in sales tax receipts, updates from the economic forecast sources and report back to the Board in the upcoming budget process.

## **Other Resource Assumptions**

### Toll, Advertising and Other

Toll revenues are projected to be \$44.6 million in FY22 which include ExpressLanes usage and violation fees from the existing I-10, I-110. For advertising revenue, \$24.1 million based on new and existing contracts is expected in FY22. Other revenues including bike program, Union Station, park and ride, lease, film, Service Authority Freeway Emergencies (SAFE), auto registration fees, transit court fees, federal Compressed Natural Gas (CNG) tax credits retro amounts for CY2018 and CY2019, investment income and other miscellaneous revenues are anticipated at a total of \$95.4 million in FY22.

### Passenger Fares

Passenger fares are assumed to grow with boardings as vaccination rates increase and the economy begins reopening. The projection is still under development as staff works to finalize the analysis based on further evaluation of changes occurring in various economic segments.

### CRRSAA

CRRSAA stimulus package was approved in December 2020, providing \$14 billion in transit infrastructure grants nationwide. The amount allocated for Los Angeles County is still being determined and specific allocation amounts for each transit operator will be brought to the Board for approval. The Federal CRRSAA stimulus package is expected in FY22 to backfill for revenue losses and increased operating costs during the COVID-19 pandemic for Bus and Rail Transit Operations and Maintenance, including payroll. All of this funding will be allocated to operate Metro Bus and Rail Transit.

### State Transit Assistance (STA)/Senate Bill 1 (SB1) Revenues

STA and SB1 are sales tax revenues dependent on actual consumption and price of diesel and gasoline, the FY21 Budget is \$183.6 million. This assumption will be re-assessed during the budget process to reflect the State Controller's Office (SCO) estimates, which are due for release in mid-February 2021.

### Grant Resources

Overall a total of \$1,138.9 million in local, state and federal grant resources is in the FY21 Budget to

support Metro's transit planning, operating, State of Good Repair and construction activities. The estimate for FY22 will be updated as we receive more information from the Federal Transit Administration (FTA), state and other local agencies as the budget development evolves.

### Bond Proceeds and Prior Year Carryover

Debt issuance is authorized by applicable federal and state legislation and the local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt that follow best practices and set affordability limits. New debt issuance will be used as a last resort to mitigate the shortfalls in State of Good Repair, transit construction and highway activities.

In FY21, \$1,184.8 million of debt proceeds and prior year carryover are available for transit construction, highway and State of Good Repair projects. The debt amounts for FY22 will be determined at a later stage as we finalize the FY22 expense budget and are subject to CEO approval.

### Resource Assumption Summary

Figure 3:

	Resources (\$ in Millions)	FY20 Adopted	FY21 Midyear	FY22 Assumption	% Change
1	Sales Tax and TDA Revenues <sup>(1)</sup>	\$ 3,928.5	\$ 3,783.6	\$ 3,892.5	2.9%
2	Toll, Advertising and Other	155.3	109.6	164.1	49.7%
3	<b>Subtotal Resources</b>	<b>\$ 4,083.8</b>	<b>\$ 3,893.2</b>	<b>\$ 4,056.6</b>	<b>4.2%</b>
4	Passenger Fares <sup>(2)</sup>	\$ 284.5	\$ 22.2	TBD	
5	CARES/CRRSAA <sup>(3)</sup>	-	569.6	TBD	
6	STA and SB1 Revenues <sup>(4)</sup>	245.9	183.6	TBD	
7	Grant Resources <sup>(4)</sup>	1,184.8	1,138.9	TBD	
8	Bond Proceeds and Prior Year Carryover <sup>(4)</sup>	1,408.6	1,184.8	TBD	
9	<b>Total Resources</b>	<b>\$ 7,207.6</b>	<b>\$ 6,992.3</b>		

Note: Totals may not add due to roundings.

<sup>(1)</sup> Sales Tax and TDA Revenues reflect current year revenues only. Any (estimated) prior year carryover amounts are reflected on line 8 and will continue to be revised throughout the remainder of the annual budget process.

<sup>(2)</sup> Passenger fares are assumed to grow with boardings as vaccination rates increase and the economy begins reopening. The projection of the revenue is still under development and further evaluation.

<sup>(3)</sup> \$305.3 million out of \$874.9 million from the CARES Act allocated to Metro not reflected in the FY20 Adopted Budget was used to cover the immediate Transit Operations shortfalls in FY20. The remaining \$569.6 million is included in the FY21 Midyear Budget. The CRRSAA allocations are still being determined and will be brought to the Board for approval.

<sup>(4)</sup> The estimates for FY22 STA/SB1, Grants and Bond Proceeds and Prior Year Carryover will be updated when information is available.

## Cost Inflation Indicator as in Consumer Price Index (CPI) and Other Expense Change Factors

On the expense side, Metro program cost and cash flow requirements are impacted by cost inflation, existing labor contracts and program guidelines. The most common indicator of cost inflation is the Consumer Price Index (CPI) as published by the Bureau of Labor Statistics. Accurate projections of sales tax revenues and CPI are important to provide a sound revenue and expenditure budget plan.

Historical trends and leading regional forecasts are taken into account when estimating cost inflation. The economic factors that most impact CPI include employment, wages, prices of goods, interest rates, and consumer confidence. CPI rate is expected to increase moderately at 2.0% in FY22 (Figure 4) as immunization efforts begin to foster a return to normality and consumers are recuperating from loss or reduction of income. We will continue to monitor CPI trends and updates from the economic forecasts as we go through the budget process.

Figure 4:

Annual Change in Consumer Price Index (CPI)

Forecast Source	FY17	FY18	FY19	FY20	FY21	FY22
Actual	2.10%	3.48%	3.40%	2.48%	2.30% *	
Metro	1.85%	1.75%	2.25%	2.28%	2.30%	2.00%
UCLA	2.70%	2.78%	2.42%	2.60%	2.19%	1.68%
Beacon Economics	1.98%	2.00%	2.15%	1.83%	2.30%	2.07%

\* Preliminary based on FY21 adopted budget

## Other Expense Assumptions

### Wages and Benefits

Metro's labor and fringe benefit costs will continue to adhere to the respective collective bargaining agreements increases with the represented employees for FY22. CPI is also used as a key assumption for cost inflation for materials, equipments and services procured for Metro programs. Metro Board approved the Voluntary Separation Incentive Program (VSIP) on August 27, 2020 and the impact will be reflected in the FY22 Budget with a 50% reduction of vacated positions.

## Public Outreach and Engagement

This year's budget outreach process reflects our efforts to engage and inform customers, key stakeholders and the public throughout the budget process. Engaging our customers, key

stakeholders and the public through an equitable, transparent, and comprehensive process is paramount to fulfilling Metro's vision and mission. Equity will not only be a focus in our outreach efforts, we are also working to review and evaluate budget requests through an equity lens.

As our past experiences have demonstrated, successful engagement for budget outreach happens when tools and technologies can more effectively reach our customers, stakeholders, and the public, such as providing opportunities and varied means/channels to engage and provide feedback, providing public meeting schedules and information ahead of time, accommodating people with disabilities, providing language interpretation, and providing all up to date budget information on our website. To acquire greater participation, the FY22 budget development process will be advertised through multiple modes, including social media campaigns, traditional advertising and advertising aboard Metro vehicles to reach Los Angeles County residents. See Attachment A for a list of the public forums and media channels that will be utilized.

As we continue to grapple with the immediate and ongoing effects of the pandemic, we will continue to conduct all public forums and budget briefings via a virtual platform in accordance with established guidelines that follow social and physical distancing rules, as safety is our number one priority for all.

### **DETERMINATION OF SAFETY IMPACT**

This recommendation will not have an impact on safety standards at Metro.

### **FINANCIAL IMPACT**

The assumptions described above are the budget planning parameters, and will guide the development of the FY22 Budget. They may be adjusted as more specific and updated information becomes available.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

### **ALTERNATIVES CONSIDERED**

The annual budget serves as the legal authority to obligate and spend funds. Failure to adopt the budget would severely impact Metro's stated goal of improving transportation in Los Angeles County.

### **NEXT STEPS**

As described earlier in this report, Metro staff will provide regular Budget briefings to Board members and their staff starting this month. Further, we will provide receive-and-file reports on a monthly


basis, as previously detailed.

**ATTACHMENTS**

Attachment A - Public Outreach Forums and Media Channels

Prepared by: Jessica Lai, Director of Budget, (213) 922-3644  
Timothy Mengle, Senior Director of Finance, (213) 922-7665  
Perry Blake, Senior Executive Officer of Finance, (213) 922-6171

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



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Phillip A. Washington  
Chief Executive Officer

**Public Outreach Forums and Media Channels**

- Public Hearing - A public hearing on the Proposed FY22 Budget will be held on May 19, 2021, and the public is encouraged to participate via a virtual meeting to provide their comments on the proposed budget to the Board. Notices of the public hearing will follow the most up-to-date statutory requirements (multiple languages, published in multiple newspapers, etc.)
- Proposed FY22 Budget Briefing/Regional Service Councils - Metro's Five Service Councils are located throughout the County to allow residents more opportunities for input on service issues in their communities. A Budget Briefing will be scheduled April 22, 2021 for interested residents to learn about the budget process and for Metro to obtain direct and immediate feedback from our transit riders on their transit priorities.
- The Source/El Pasajero/Facebook/Instagram/Twitter/Next Door - Staff will be using Metro's social media outlets to inform the public about FY22 Budget survey and feedback on the proposed budget including Instagram Stories, Next Door announcement and Twitter posts.
- Budget Questionnaire - The questionnaire is an interactive process that will allow us to acquire feedback from the public and key stakeholders on their individual transit priorities. It will be available as a link from the *Metro.net/myvoice* website – Finance and Budget page and announced through social media outlets such as E-Blast email, Facebook, Instagram, Next Door and Twitter.
- Finance and Budget Website - An FY22 Budget website that can be accessed through [metro.net/myvoice](https://metro.net/myvoice) will provide regular updates on the budget process, budget details as they become available each month, and offer opportunity for the public to provide their comments. The website will include direct links to the online questionnaire, schedules of other community meetings and forums for the public and key stakeholders to fully engage in the budget process.
- E-mail - [budgetcomments@metro.net](mailto:budgetcomments@metro.net) has been established to allow the public an opportunity to comment outside of a public setting.
- Internal and External Stakeholder Meetings - Stakeholders range from jurisdictions and other public agencies that receive funding from Metro to community groups and other organizations throughout Los Angeles County that promote and/or rely on Metro services. Meetings and forums scheduled in April

and May 2021. These meetings include and are not limited to a Public Hearing, Metro Regional Service Councils, Council of Governments (COGS), Citizens Advisory Councils (CAC), Policy Advisory Committee (PAC), Technical Advisory Committee (TAC), Bus Operators Subcommittee, (BOS), Local Transit Systems Subcommittee (LTSS), and Streets and Freeways Subcommittee, Aging, Disability and Transportation Network (ADTN), and other community group meeting as requested.

# **FY22 Budget Development Update**

**Finance Budget and Audit Committee  
February 17<sup>th</sup>, 2021**



**Metro**

# Budget Process & Schedule Timeline

## Month Topic



### February FY22 Budget Development Process

- Budget Process and Schedule
- Sales Tax Forecast, Resources Assumption
- Cost Inflation Estimate
- Stakeholder Outreach Plan
- Other Expense Assumptions

### March Infrastructure Planning & Construction

- Transit System: Rail, Rapid Transit
- Highway
- Regional Rail

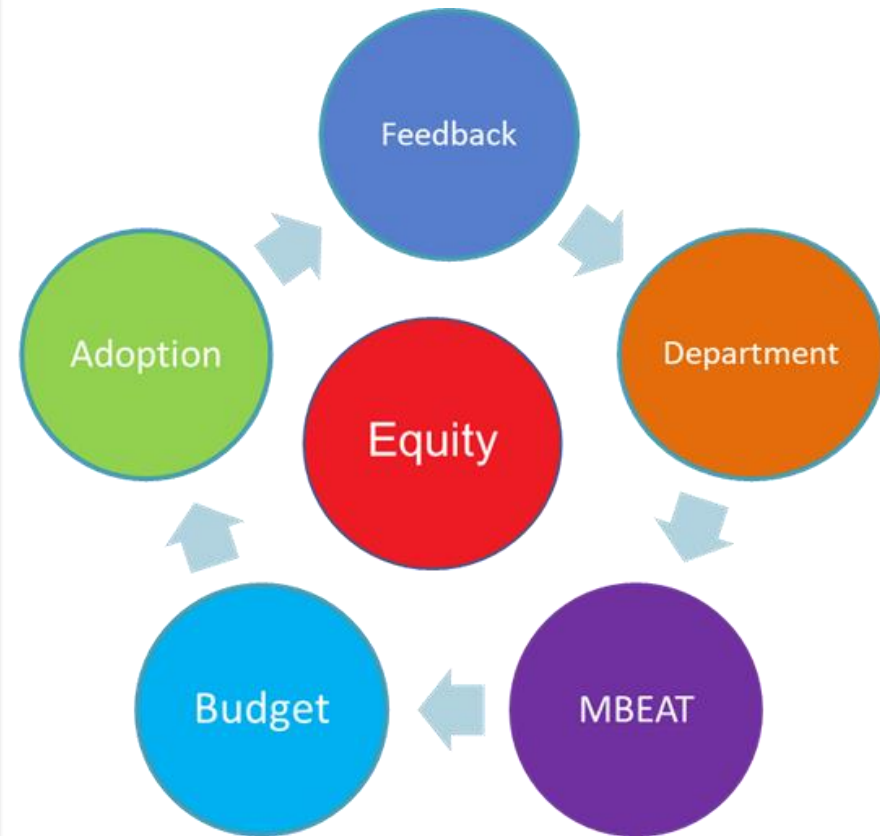
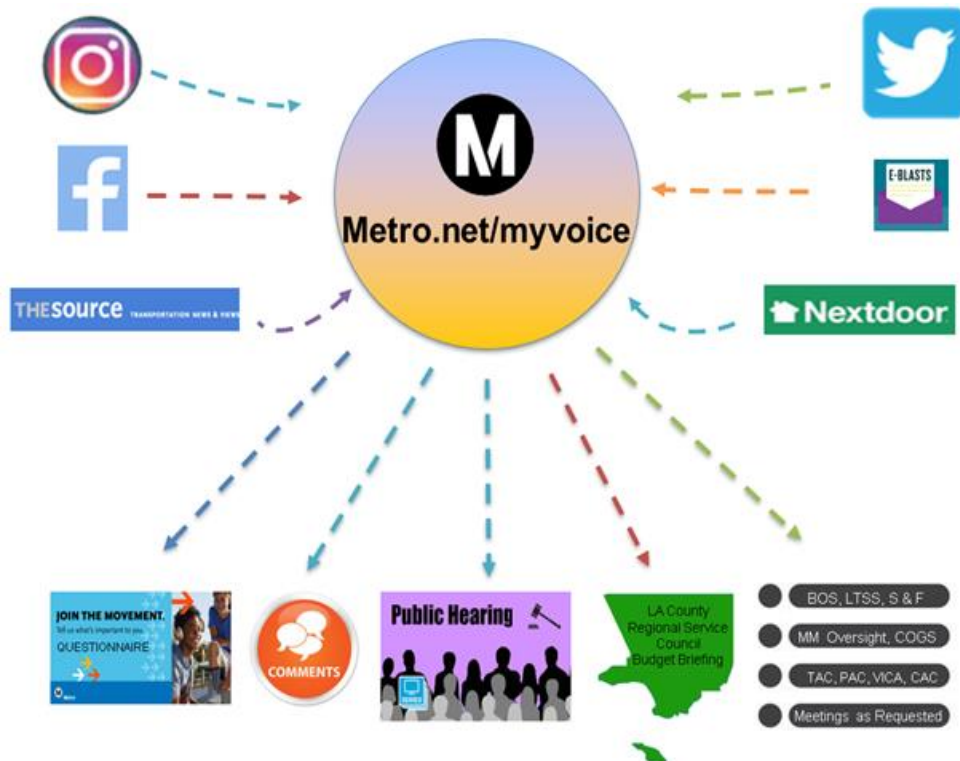
### April Transit Operations, Metro State of Good Repair (SGR), Regional Subsidy & Other Operating Programs

- Metro Transit – Operations & Maintenance Expense
- Metro Transit – State of Good Repair
- Subsidy Funding
- Other Operating Programs

### May FY22 Budget Adoption (Planned)

- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on May 19, 2021
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on May 27, 2021

# FY22 Budget Outreach - Activities & Equity

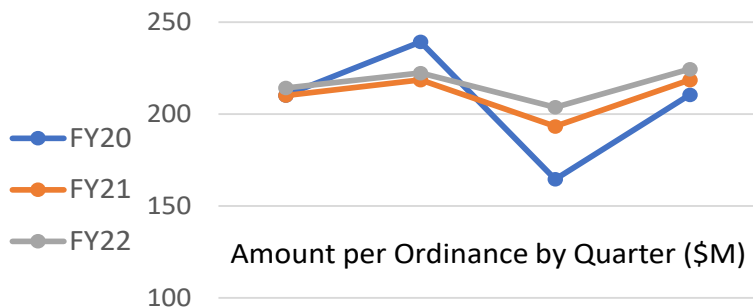


# FY22 Resources – Sales Tax Assumptions

*FY22 Sales Tax Revenue Projection by Economic Sector by Quarter, based on Year-over-Year Quarterly Growth*

	Q1Δ	Q2Δ	Q3Δ	Q4Δ
<b>General Retail</b>	1.2%	1.1%	3.8%	1.9%
Apparel Stores	3.5%	1.1%	7.8%	1.9%
Department Stores	0.6%	0.9%	2.9%	1.5%
Furniture/Appliance	0.7%	1.0%	4.4%	1.6%
Drug Stores	1.4%	2.0%	3.8%	3.4%
Recreation Products	0.6%	0.8%	4.4%	1.4%
Florist/Nursery	0.5%	0.7%	4.1%	1.1%
Miscellaneous Retail	0.6%	1.4%	1.8%	2.3%
<b>Food Products</b>	2.4%	1.6%	8.9%	2.6%
<b>Transportation</b>	1.4%	2.3%	5.4%	1.7%
<b>Construction</b>	3.1%	2.5%	4.1%	3.3%
<b>Business To Business</b>	2.4%	1.9%	5.0%	2.7%
<b>Miscellaneous</b>	2.3%	2.5%	3.7%	2.4%
<b>Total</b>	1.9%	1.8%	5.4%	2.7%

- COVID-19 restrictions will still be in place at the start of the fiscal year in July and gradually be lifted over the first two quarters as vaccination rates increase;
- Stimulus funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) will indirectly increase sales tax revenues in the same way CARES Act funding did;
- As businesses continue to adapt, underlying economic growth will continue at a gradual pace;
- Growth will accelerate in the third quarter as most businesses reopen and people start going out more;
- Overall year-over-year growth for FY22 is projected to be 2.9%.



# FY22 Preliminary Estimate of Resources

- Total Sales Tax and TDA revenues will be \$3.89B.
- Tolls, Advertising, and Other Revenues increase 49.7% to \$164.1M.
  - Toll revenues: \$44.6M in ExpressLanes usage and violation fees from the existing I-10, I-110
  - Advertising revenue: \$24.1 million based on new and existing contracts
  - Other revenues: \$95.2M including bike program, Union Station, park and ride, lease, film, SAFE, auto registration fees, transit court fees, federal CNG tax credits, investment income, etc.
- Passenger fares under development but are assumed to grow with boardings as vaccination rates increase and the economy begins reopening.
- CRRSAA allocations for Los Angeles County are yet to be determined.
- Estimates for FY22 STA/SB1, Grant and Bond Proceeds and Prior Year Carryover will be updated when information is available.

	<b>Resources (\$ in Millions)</b>	<b>FY20 Adopted</b>	<b>FY21 Midyear</b>	<b>FY22 Assumption</b>	<b>% Change</b>
1	Sales Tax and TDA Revenues	\$ 3,928.5	\$ 3,783.6	\$ 3,892.5	2.9%
2	Toll, Advertising and Other	155.3	109.6	164.1	49.7%
3	<b>Subtotal Resources</b>	<b>\$ 4,083.8</b>	<b>\$ 3,893.2</b>	<b>\$ 4,056.6</b>	<b>4.2%</b>
4	Passenger Fares	\$ 284.5	\$ 22.2	TBD	
5	CARES/CRRSAA	-	569.6	TBD	
6	STA and SB1 Revenues	245.9	183.6	TBD	
7	Grants Resources	1,184.8	1,138.9	TBD	
8	Bond Proceeds and Prior Year Carryover	1,408.6	1,184.8	TBD	
9	<b>Total Resources</b>	<b>\$ 7,207.6</b>	<b>\$ 6,992.3</b>		

# Labor and Cost Inflation

Major cost drivers are Labor and Cost Inflation, assuming all programs are continuing as usual:

- Wages will increase from FY21 to FY22 as follows:
  - a) **Represented (Union)**
    - *Per the Collective Bargaining Agreements*
    - *Labor costs will adhere to existing contracts*
  - b) **Salary increases for Non-Contract TBD**
- Fringe benefit increases as approved by the Board annually
- Voluntary Separation Incentive Plan (VSIP) 50% savings per Board approval
- Cost inflation is projected to increase by 2.0%, as measured by CPI

**Annual Change in Consumer Price Index (CPI)**

Forecast Source	FY17	FY18	FY19	FY20	FY21	FY22
Actual	2.10%	3.48%	3.40%	2.48%	2.30% *	
Metro	1.85%	1.75%	2.25%	2.28%	2.30%	2.00%
UCLA	2.70%	2.78%	2.42%	2.60%	2.19%	1.68%
Beacon Economics	1.98%	2.00%	2.15%	1.83%	2.30%	2.07%

\* Preliminary based on FY21 adopted budget



## Board Report

**File #:** 2020-0894, **File Type:** Informational Report

**Agenda Number:** 9.

### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 17, 2021

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 SECOND QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending December 31, 2020.

#### **ISSUE**

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

#### **BACKGROUND**

It is customary practice for Management Audit Services to deliver the quarterly audit report. This report covers Q2 of FY 2021.

#### **DISCUSSION**

MAS provides audit support to Metro's Chief Executive Officer (CEO) and the CEO's senior leadership team in support of the agency's ability to provide responsive, accountable and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency while external audits analyze contractors, cities and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups which are Performance Audit, Contract, Financial and Compliance Audit, and Audit Support. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS's functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably and that

desired outcomes are being achieved. This assurance is provided by the MAS's functional units conducting audits of program effectiveness; economy and efficiency, internal controls, and compliance. Audit Support is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of MAS activity for the quarter ending December 31, 2020 is as follows:

Performance Audits: Four projects were completed during the second quarter; and eight were in progress.

Contract, Financial and Compliance Audits: Six audits with a total value of \$107 million were completed during the second quarter; and 87 audits were in progress.

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

Audit Follow-up and Resolution: Eleven recommendations were closed during second quarter.

\*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 2 OIG recommendations were closed during the reporting period.

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

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Receive and file of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

## **NEXT STEPS**

Management Audit Services will submit the Receive and File report for FY 2021 third quarter audit activity in May 2021.

## **ATTACHMENT**

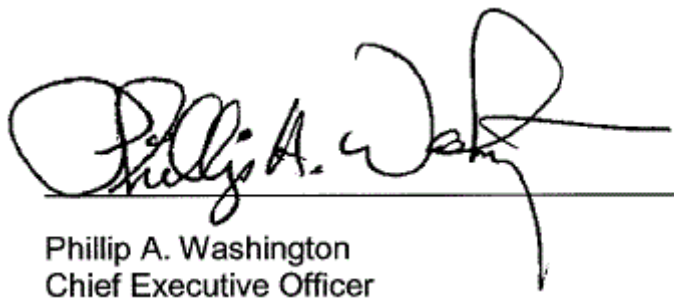
Attachment A - Management Audit Services Second Quarterly FY 2021 Report

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

Lauren Choi, Sr. Director, Audit (Interim)  
(213) 922-3926

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

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



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Phillip A. Washington  
Chief Executive Officer

# Quarterly Report to Metro Board of Directors

FY 2021 Quarter 2



**Metro**

**MANAGEMENT  
AUDIT SERVICES**

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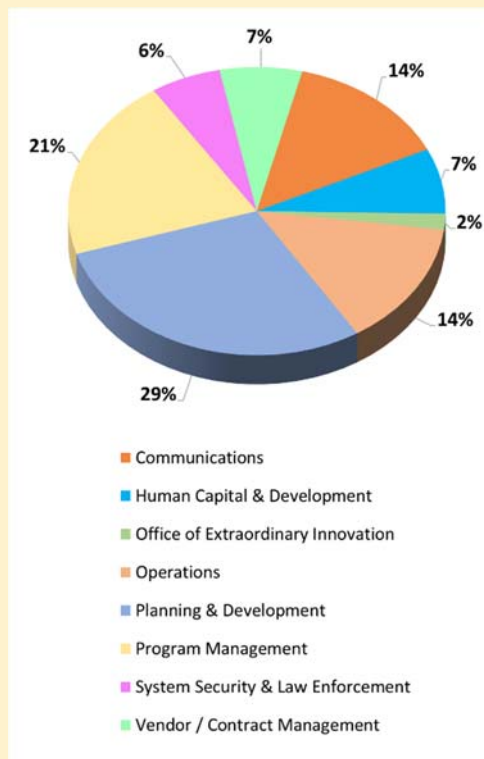
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# Executive Summary

In Progress Audit  
as of December 31, 2020



Summary of Audit Activity by Department  
Reporting Period  
October 1, 2020 – December 31, 2020



## Summary of In Progress Audit Activity

Management Audit Services (MAS) has 95 in progress projects as of December 31, 2020; which include 8 performance audits and 87 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 52 MAS open audit recommendations. In addition, there are 22 open OIG audit recommendations.

## Summary of Q2 Completed Audit Activity

MAS completed 27 projects and closed 13 recommendations. The projects are comprised of 4 performance audits; 6 contract, financial and compliance audits; and 17 financial and compliance audits issued by contracted independent certified public accountant (CPA) firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 7. The financial and compliance audits of Metro issued by the external CPA firms are highlighted on page 8. A summary of closed and open audit recommendations for MAS and OIG are included on page 10.

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## ***Update on the Annual Audit Plan***

This section provides an update on the FY21 Annual Audit Plan.

MAS' FY 2021 annual work plan includes two audits related to Metrolink which are: 1) Metrolink Rehabilitation Projects and 2) Metrolink Security. The objective of the proposed audits is to evaluate the efficiency and effectiveness of project controls and internal controls.

MAS obtained subsequent audit content submitted by Metrolink's Internal Audit department. Recognizing Metrolink performed a series of seven audits within the past three years related to project controls and internal controls. MAS management evaluated the breadth and depth of work performed by Metrolink Internal Audit including the status of recommendations and found the reports to be detailed, specific and thorough. MAS determined that the additional Metro audits would be a duplication of effort and the risks levels may not be as high as originally assessed.

The Metrolink Rehabilitation Projects and Metrolink Security have accordingly been withdrawn from the FY 2021 Audit Plan.

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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.

## ***Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)***

The audit objective was to evaluate the adequacy of internal controls over overtime payments. Controls and oversight of American Federation of State, County and Municipal Employees (AFSCME) Transit Security overtime were generally found to be adequate. However, we noted the following exceptions: overtime was improperly paid to some employees for weeks that included paid holidays; there was an absence of written approvals for overtime in excess of 32 hours in a week; and the vacation worked (TOW) payroll code was improperly used to cash out accrued vacation. Findings of the previous consulting engagement were addressed by the new AFSCME contract effective July 1, 2017.

Management concurred with all recommendations and is implementing the corrective actions.

## ***Performance Audit of Contract Compliance for Parkwood Rights-of-Way Maintenance Contracts***

MAS contracted with BCA Watson Rice (BCA) to conduct a performance audit of contract compliance for Parkwood right-of way maintenance contracts. The audit objective was to determine Parkwood's compliance and required performance with contract terms and conditions for the period from November 15, 2015 to March 31, 2020.

The audit found that prior to June 2019, Parkwood's compliance and performance with the terms and conditions of both contracts needed improvement. After June 2019, Parkwood's compliance and performance as it relates to contract billings, timesheet documentation and reporting improved significantly. The final report includes ten (10) findings and nine (9) recommendations.

Parkwood's management agreed with all the recommendations except for one recommendation which they partially agreed.

## ***Agreed Upon Procedures for Metro-Owned RINs***

MAS contracted with Talson Solutions, LLC (Talsen) to report on agreed-upon procedures for Metro-owned renewable identification numbers. The objective was to assist Metro's Environmental Compliance and Sustainability department by preparing attest reports following the procedures detailed in the Electronic Code of Federal Regulations to verify that Metro's EPA reporting of RINs for

renewable energy credits are complete and accurate for calendar years 2018 and 2019. One finding that required corrective action was that these attestation reports were not filed on time, which should be resolved within one day of their receipt.

Metro management concurred and outlined corrective action(s).

### ***Telecommuting Research Project***

MAS performed a non-audit engagement at the request of Human Capital & Development. This engagement was conducted to provide Metro with independent research and benchmarking related to telecommuting/teleworking. The objectives were to provide research about lessons learned and critical success factors implemented by other organizations related to telecommuting programs; research and identify elements of cost-benefit analyses related to telecommuting practices and programs; and provide insights into other organizations' considerations in determining the type of functional tasks eligible for remote work and telecommute assignments.

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# Contract, Financial & Compliance Audits

MAS staff completed 6 independent auditor's report on agreed-upon procedures of:

- PMCS Group, Inc.'s incurred indirect cost rate for fiscal year ending June 30, 2019 for the Purple Line Extension Section 3 Project;
- Paleo Solutions, Inc.'s incurred indirect cost rate for the year ending December 31, 2018 for the Purple Line Extension Section 3 Project;
- Zephyr UAS, Inc.'s incurred indirect cost rate for fiscal year ending December 31, 2019 for the Division 20 Portal Widening Turnback Construction Management Support Services;
- Bicycle Transit Systems, Inc.'s Accounting System Controls and Contract Compliance for the Metro Countywide Bikeshare;
- City of Commerce's close-out incurred costs for the City of Commerce Washington Blvd. Widening and Reconstruction Project; and
- City of Santa Clarita's close-out incurred costs for the City of Santa Clarita I-5/Magic Mountain Parkway Interchange Reconstruction Project.

MAS staff reviewed \$107 million of funds and identified \$8.5 million or 8% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q2 FY 2021 are included in Appendix B.

# Financial and Compliance Audits of Metro

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

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

MAS contracted with 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, 2020. 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 Schedules of Revenues and Expenditures.

BCA found that the financial statements present fairly, in all material respects, of the Gateway Center, L.A. Union Station, PRMA, ExpressLanes Fund, and Regional TAP Service Center Settlement and Clearing Accounts as of June 30, 2020, in accordance with accounting principles generally accepted in the United States of America. In addition, the Proposition A and Proposition C, Measure R and Measure M Schedules of Revenues and Expenditures of Metro present fairly, in all material respects, for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

The results of the audits will be presented to the Independent Taxpayer Oversight Committees.

## ***Basic Financial Statements and Component Units Audits – Issued Various Dates***

MAS contracted with Crowe, LLP (Crowe) to conduct the basic financial statements and component units audits for the year ended June 30, 2020. The resulting reports include:

- Comprehensive Annual Financial Report (CAFR);
- Single Audit for the Federal Funds;
- Transportation Development Act (TDA) Operations Agency – 50% Expenditure Limitation Schedule;
- TDA Schedule of Revenue, Expenditure and Changes in Fund Balance;
- State Transit Assistance (STA) Special Revenue Fund Financial Statements;

- Federal Funding Allocation Data for NTD as a Transportation Operating Agency;
- Service Authority for Freeway Emergencies (SAFE) Financial Statements;
- Low Carbon Transit Operations Program (LCTOP) Compliance Audit; and
- Crenshaw Project Corporation's (CPC) Financial Statements.

Crowe issued unmodified opinions on all audit reports for FY20, which means that all financial statements for FY20 present fairly and Metro complied in all material respects with the applicable financial reporting framework and compliance requirements respectively.

Of note, the agreed-upon procedures report of the Federal Funding Allocation Data for NTD identified some variances, which Operations management will implement corrective actions.

# Audit Support

## Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of December 31, 2020.

MAS and External Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Finance & Budget					
Human Capital & Development	5				
Operations	5		13	16	29
Program Management			1		1
Risk, Safety & Asset Management	1		2	1	3
Systems Security and Law Enforcement			6	8	14
Vendor/Contract Management			4	1	5
Total	11		26	26	52

OIG Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Congestion Reduction	1		1		1
Human Capital & Development				13	13
Operations	1		2	6	8
Total	2		3	19	22

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, 2020				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Communications / Finance & Budget	20-COM-P01 Performance Audit of Expanded Discount Programs	Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs.	2/2021
2	Agency-Wide	20-ITS-P01 Performance Audit of IT Security Awareness	Evaluate the extent of information technology security awareness for selected business units within the Agency.	2/2021
3	Operations	20-OPS-P02 Follow up Audit of Contracted Bus Services Project Management	Evaluate if prior Contracted Bus Service Project Management corrective actions were implemented.	3/2021
4	Operations	18-AGW-P01 Performance Audit of Internal Controls over Overtime Payments for AFSCME	Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees within Operations for selected positions.	3/2021
5	Systems Security and Law Enforcement / Risk, Safety & Asset Management	21-RSA-P02 Performance Audit of COVID Compliance	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	3/2021
6	Planning	21-PLN-P01 Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool.	5/2021
7	Risk, Safety & Asset Management	21-RSK-P03 Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	5/2021
8	Operations / Risk, Safety / Environmental Compliance	20-OPS-P01 Performance Audit of Personal Protective Equipment for Maintenance	Determine the adequacy of training and utilization of personal protective equipment by Metro workers performing clean-ups of Metro facilities impacted by activities of homeless individuals.	Project is on Hold

**Appendix B**

<b>Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2020</b>				
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Auditee</b>	<b>Date Completed</b>
1	Program Management	20-CON-A11- Agreed-Upon Procedures	PMCS Group Inc.	10/2020
2	Planning & Development	20-PLN-A07 - Closeout	City of Commerce	10/2020
3	Planning & Development	19-PLN-A19 - Closeout	City of Santa Clarita	10/2020
4	Program Management	20-CON-A12- Agreed-Upon Procedures	Paleo Solutions, Inc.	11/2020
5	Program Management	20-CON-A13- Agreed-Upon Procedures	Zephyr UAS, Inc.	12/2020
6	Planning & Development	20-PLN-A53 - Agreed-Upon Procedures	Bicycle Transit Systems, Inc.	12/2020

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4a	<p>We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification.</p> <p><b>Update: This recommendation is about 30% complete. Operations is developing an electronic Track Allocation Form/Schedule, integrating System Generated Special Events Calendar, generating an electronic Work Permit, and generating System Reports.</b></p>	6/30/2019	12/31/2020
2	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4b	<p>We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected.</p> <p><b>Update: Pending completion of recommendation 4a.</b></p>	6/30/2019	12/31/2020
3	Systems Security and Law Enforcement	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1a	<p>We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., SOPs), include the essential content necessary to support the agency-wide program.</p> <p><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b></p>	6/30/2020	6/30/2021
4	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1b	<p>We further recommend that over the next 12 to 18 months, V/CM should consider focusing its efforts on completing and including the following content with Emergency Management's support and guidance: criteria for COOP activation and relocation decisions; flow charts and decision trees; step-by-step instructions applicable to Gateway or agency-wide emergencies; names, titles and contact details such as phone numbers and emails for all continuity personnel (e.g., Advance Team, CMG, and successors); distribution and logistics dependencies, such as MEFs, mission essential systems, records, databases, supplies and equipment; mission essential records and database storage locations.</p> <p><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b></p>	10/30/2020	10/31/2021

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

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
5	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	2	We recommend that V/CM management review and reassess the COOP and SOPs periodically to verify that any resulting updates are implemented, including updating V/CM's COOP contact details in the event of key personnel changes. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>	4/30/2020	9/30/2021
6	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	3	We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>	7/31/2020	9/30/2021
7	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 is negotiating Essential Use designation with SCE, DWP &amp; CPUC as a basis for utility emergency service agreements.</b>	3/31/2020	6/30/2021
8	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	5	We recommend that V/CM management consider referencing all the existing COOP-related SOPs to the COOP and/or attaching them as appendices to the COOP, doing the same to the SOPs under development as they are completed. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>	10/30/2020	4/30/2021
9	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	5	We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date. <b>Update: Operations' staff prepared a partial LIP retroactive pay calculation which has been verified; remaining pay calculations are still in progress.</b>	12/31/2019	3/31/2021

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	6	We recommend Operations management, after completing recommendation number 5 above, partner with ITS to perform periodic true ups to determine any over/underpayment, and submit required corrections to Payroll regularly and in a timely manner until calculations can be automated. <b>Update: Operations' staff prepared a partial LIP retroactive pay calculation which has been verified; remaining pay calculations are still in progress.</b>	12/31/2019	3/31/2021
11	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	7	We recommend Operations management reinforce the training with the Division Staff to properly record all LIP eligible hours and pay codes including special conditions for non-certified Line Instructors. <b>Update: ITS / Operations implemented a revised automated fix. Testing will take place late January to confirm that the fix works correctly.</b>	12/31/2019	3/31/2021
12	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	8	We recommend Operations management collaborate with ITS, in consultation with Employee and Labor Relations, to assess possibilities to automate LIP calculations and reporting as practical in either HASTUS or the Payroll system. <b>Update: ITS / Operations implemented a revised automated fix. Testing will take place late January to confirm that the fix works correctly.</b>	12/31/2019	3/31/2021
13	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	1	We recommend that Emergency Management should coordinate with Payroll to facilitate training and add the additional details to Finance (Payroll)'s COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions.	2/28/2021	
14	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	2	We recommend that Emergency Management should coordinate with Payroll to create an SOP template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors. Advance team references should state "provided by ITS". <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.</b>	7/31/2020	1/29/2021

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with Payroll to review and assess the COOP and SOPs annually and verify that any resulting updates are implemented. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.</b>	7/31/2020	1/29/2021
16	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with Payroll to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.</b>	7/31/2020	1/29/2021
17	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	8 Total	The recommendations included in this report address findings in Metro's Operational System. <b>Update: As of December 2020, 4 of 12 recommendations was closed.</b>	On-going	
18	Operations	19-OPS-P03 Performance Audit of the SCADA Security Controls	9 Total	The recommendations included in this report address findings in Metro's Operational System. <b>Update: As of December 2020, 4 of 13 recommendations was closed.</b>	On-going	
19	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	2	We recommend that the Chief Risk, Safety & Asset Management Officer raise awareness of the FOF program. <b>Update: A new mandatory FOF online training program has been set to release in November 2020 to train all supervisory personnel, including the proper fashion for completing a FOF, discussion items while conducting a FOF and requirements of the FOF Policy. FOFs are regularly discussed at LSC meetings and a FOF awareness campaign is currently being discussed with Operations.</b>	3/31/2020	1/29/2021

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
20	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	3	We recommend that the Chief Risk, Safety & Asset Management Officer develop additional input controls in the Transit Safe System, by designating required FOF form fields as mandatory, including Supervisors sign-off to review for accuracy of information, to prevent the close out of FOF records without completion of all required fields and to ensure quality of information is maintained. <b>Update: The TransitSafe system is no longer supported for updates or modifications since the system will be replaced soon with a new safety system (Cority). The new system will include management of the FOF program and will include supervisory sign-off/verification of FOF review. Mandatory fields for FOFs will be included in the system. Cority is currently being configured.</b>	7/31/2020	6/30/2021
21	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	4	We recommend that the Chief Risk, Safety & Asset Management Officer incorporate recommendation #3, above, in the upcoming replacement system of Transit Safe.	12/31/2021	
22	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	1	We recommend that Emergency Management collaborate with SS&LE to establish at least three new locations to accommodate emergency back-up SS&LE command centers. As a suggestion, not more than one facility should be close to Gateway Plaza. The other two should be far enough away from Gateway and from each other that there is little risk that a wide area emergency could affect all three locations. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.</b>	7/30/2020	1/29/2021
23	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with SS&LE to facilitate training and add the additional details to the SS&LE COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions.	7/30/2021	
24	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with SS&LE to create a Standard Operating Procedures template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors; and reference and attach all COOP-related SOPs as Appendices to the COOP. <b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.</b>	7/30/2020	1/29/2021

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

## Appendix C

Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
25	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	7	We recommend that Emergency Management should coordinate with SS&LE to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update (See COOP Appendix M).	7/31/2021	
26	Vendor/Contract Management	17-VCM-P02 Performance Audit of Change Order Internal Controls	1	We recommend that Vendor / Contract Management consider providing supplemental guidance to ACQ-2 Manual Chapter 14-11 Change Orders J to define what is considered a "significant sum" when there is a difference between the negotiated price adjustment, Metro's Independent Cost Estimate, and the prenegotiation position that must be explained.	12/31/2020	
27	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1a	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to perform a training needs assessment to accurately determine the number of Instructors required to ensure that formal refresher training is provided regularly within the Signal, Track, and Traction Power departments.	7/31/2021	
28	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1b	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop a Formal Refresher Training that supports the technical competence of maintenance personnel and supports the improvement of system reliability of assets. Refresher Training should be focused on areas where the increasing number of failures or repeat write-ups are occurring within the Signal, Track, and Traction Power departments.	2/28/2021	
29	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1c	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop Key Performance Indicators that identify leading indicators. The information from the Key Performance Indicators should be utilized to help develop Technical Refresher Training courses.	12/31/2020	
30	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2a	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to make use of the OTTS as a monitoring and notification system control for upcoming employee training to help ensure that Wayside employees complete all required training on time. This should lead to a system implementation that would notify employees and managers about upcoming training requirements based on a 30-60-90-day outlook.	12/31/2020	

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, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
31	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2b	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to expand the reporting and documentation capabilities of the OTTS in order to maintain a more complete training record and have training records stored in a centralized location to help ensure that Wayside employees complete all required training on time.	12/31/2020	
32	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2c	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to remind Supervisors or leads to verify the currency of training and certifications prior to scheduling crew work assignments to help ensure that Wayside employees complete all required training on time.	12/31/2020	
33	Systems Security and Law Enforcement	18-AGW-P01A Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)	2	We recommend that Transit Security management consult as necessary with Human Capital & Development's Labor Relations about the inclusion of holiday pay in the base for overtime going forward.	12/10/2020	
34	Systems Security and Law Enforcement	18-AGW-P01A Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)	3	We recommend that Transit Security management issue a memo to all SSLE management and administrative staff responsible for the oversight and input of reported time, clarifying how to calculate overtime in terms of the current AFSCME Labor Agreement.	12/10/2020	
35	Systems Security and Law Enforcement	18-AGW-P01A Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)	4	We recommend that Transit Security management communicate and enforce a policy requiring written requests (e.g., email with a call or text reminder) for approval to exceed 32 hours overtime in a week as soon as it becomes evident that the limit may be overrun. Exceptions may be allowed as long as the request was timely, or in case of emergency calls that occur during a handover interval.	12/15/2020	
36	Systems Security and Law Enforcement	18-AGW-P01A Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)	5	We recommend that Transit Security management consult with Human Capital & Development's Labor Relations about whether to establish a policy limiting the scheduling of overtime to a lesser number of hours, such as 28 hours per week. This would provide an allowance for unplanned additional time, possibly eliminating most cases of excess overtime that would require approval.	12/15/2020	

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, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
37	Systems Security and Law Enforcement	18-AGW-P01A Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security)	6	We recommend that Transit Security management include compliance with scheduling policies and timely approval of excess overtime requests in supervisors' Individual Performance Plan (IPP).	11/30/2020	

## Appendix D

OIG Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	6 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. <b>Update: As of December 2020, 111 of 117 recommendations were closed.</b>	Pending	
2	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	52	Establish a process and a criterion for replacement of existing signal installations that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource to this end when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	12/31/2020
3	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	57	Establish a process and a criterion for replacement of existing traction power equipment that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	12/31/2020
4	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	1	We recommend that the General Services Department Management develop written policies and procedures covering the use of cable television services.	1/31/2021	
5	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	2	We recommend that the General Services Department Management develop a standard form to be completed by user departments for requesting and justifying the business purpose for cable television.	1/31/2021	
6	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	3	We recommend that the General Services Department Management develop a tracking system to document and monitor the user departments and location of cable television receivers and outlets.	1/31/2021	

## Appendix D

OIG Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
7	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	4a	We recommend that the General Services Department Management work with the ITS Department to schedule and conduct a physical count to identify all active cable television lines (and their locations) at Metro's Gateway Building and departments that have cable television service. For departments that have a business need for cable television, require them to complete a request/approval form.	1/31/2021	
8	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	4b	We recommend that the General Services Department Management work with the ITS Department to schedule and conduct a physical count to identify all active cable television lines (and their locations) at Metro's Gateway Building and departments that have cable television service. Cancel any cable television services that cannot be identified to a department and/or has no business purpose.	1/31/2021	
9	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	5	We recommend that the General Services Department Management cancel the internet service on sub-account 320469395; and if there is a legitimate business need for a separate internet account, direct the user department to request internet service under the ITS internet account with Spectrum.	1/31/2021	
10	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	6	We recommend that the General Services Department Management ensure that fees for cable television services are paid through the appropriate account (50504).	1/31/2021	
11	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	7	We recommend that the General Services Department Management consider working with Spectrum to eliminate all the sub accounts and create one account that includes only those active cable lines that have been identified as having a legitimate business purpose.	1/31/2021	
12	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	8	We recommend that the General Services Department Management research and determine if there are more effective and efficient methods available for providing cable television service in the Gateway building.	1/31/2021	
13	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	9	We recommend that the General Services Department Management consider placing labels on televisions that have cable service, stating "For Business Purpose Only: No appropriate content should be broadcasted."	1/31/2021	

## Appendix D

OIG Open Audit Recommendations as of December 31, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.	10/1/2020	7/1/2021
15	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	1	We recommend that the Pension and Benefit Department continue with plans to seek reimbursement for the three overpayments and any future overpayments.	3/31/2021	
16	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	2	We recommend that the Pension and Benefit Department formally document their procedures for identifying deceased retirees using PBI.	3/31/2021	
17	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	3	We recommend that the Pension and Benefit Department formally document in writing their unwritten policy regarding the date of death being used to determine if an overpayment has occurred and should be pursued.	3/31/2021	



## Board Report

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**File #:** 2020-0896, **File Type:** Informational Report

**Agenda Number:** 10.

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### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 17, 2021

**SUBJECT: OFFICE OF INSPECTOR GENERAL (OIG) FINAL REPORT ON REVIEW OF METRO  
STANDARD OPERATING PROCEDURES**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Review of Metro Standard Operating Procedures

#### **ISSUE**

The Office of the Inspector General (OIG) performed a review of Metro standard operating procedures (SOPs). The review did not include Operations because the unit has extensive SOPs related to the department's job positions and critical tasks. This review was conducted as part of our ongoing effort to assist Metro in providing responsive, accountable, trustworthy governance within the Metro organization and to build and nurture a diverse, inspired, and high-performing workforce. Having a skilled, knowledgeable, effective workforce can ultimately affect the quality of service the Metro customers experience.

#### **BACKGROUND**

The objective of our review was to determine whether Metro has adequate SOPs in each of the key job functions to capture institutional knowledge to effectively manage succession planning.

SOPs are documented processes, consisting of step-by-step instructions on how to execute tasks or functions. The primary goal of an SOP is to achieve efficiency, produce quality output, document minimum standards, facilitate training, accomplish knowledge capture, and promote uniformity of performance.

Using SOPs not only ensures a more accurate and consistent workflow, it also helps to smooth and reduce the time to achieve proficiency and common stresses associated with a new job for employees' assuming and transiting into new roles.

#### **DISCUSSION**

## Findings

Our review found that Metro lacks adequate SOPs in some of the key job functions, which may restrain overall succession planning and make those departments without any SOPs less prepared for the Voluntary Separation Incentive Program (VSIP) although Human Capital and Development (HC&D) is encouraging and supporting departments to try to accomplish knowledge capture and transfer for those departments that have employees leaving via VSIP.

Metro should continue to make an effort to assist departments to develop their SOPs, especially with Metro's recently introduced VSIP that will cause a surge in losing long-term employees with institutional knowledge. The VSIP states employees must complete the knowledge transfer process, and representatives from the HC&D team will assist. HC&D has published guidance on capturing legacy knowledge, instructions for writing an SOP and web links to LinkedIn Learning courses to create SOPs with specificity that are sufficiently useful.

Well-crafted SOPs facilitate a smooth transition between a tenured and an incoming employee and reduce the risk of losing institutional knowledge

## Recommendations

We recommend Metro's Senior Leadership Team (SLT) members direct their respective staff to:

1. Continue to create or improve SOPs with top priority given to those positions where employees choose to leave the agency through participation in the VSIP;
2. Develop SOPs for all positions and critical tasks for departments lacking SOPs;
3. Improve and update SOPs for departments that have SOPs but lack workable details that allow employees to follow instructions and execute tasks effectively;
4. Work with and develop SOPs for departments that have limited documentation, to achieve results similar to SOPs;
5. Hire consultants, assign an entry level trainee or reassign department resources to create SOPs for the departments that need assistance to create SOPs;
6. Further review or evaluate the lack of SOPs throughout the agency;
7. Assign each employee to provide input or assist to write up an SOP draft for their own job duties as part of their objectives.

Human Capital & Development should:

8. Reach out to departments listed on section 3 of this report (Communications, Program Management, Finance & Treasury, TAP Operations, and ITS) that were non-responsive to the SOP survey, and offer to assist them to start an SOP writing project.
9. Have Strategic Business Units spend the time and resources needed for successful succession planning including creating SOPs.

## FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would allow Metro to achieve increased efficiency and more effective succession planning.

## IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations in this report support Metro's Strategic Plan Goal 5, "Provide responsive, accountable, and

trustworthy governance within the Metro organization”.

### **NEXT STEPS**

Metro management should consider adoption of the recommendations proposed in this report.

### **ATTACHMENTS**

Attachment A: Report on the Review of Metro Standard Operating Procedures (Report No. 21-AUD-04)

Prepared by: Lorena Martinez, Administrative Analyst, (213) 244-7345  
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301  
George Maycott, Sr. Director, Inspector General-Audit (Interim), (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

**Los Angeles County  
Metropolitan Transportation Authority  
Office of the Inspector General**

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**Review of Metro  
Standard Operating Procedures**

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**Report No. 21-AUD-04**

**February 10, 2021**



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## **Review of Metro Standard Operating Procedures**

**Office of the Inspector General**

**Report No. 21-AUD-04**

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**DATE:** February 10, 2021

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

**FROM:** Yvonne Zheng, Senior Manager, Audit  
Office of the Inspector General

**SUBJECT:** Final Report on Review of Metro Standard Operating Procedures (SOP)  
(Report No. 21-AUD-04)

### **INTRODUCTION**

The Office of the Inspector General (OIG) performed a review of Metro standard operating procedures (SOPs). The review did not include some newly created cost centers, or Operations because that unit has extensive SOPs related to the department's job positions and critical tasks. This review was conducted as part of our ongoing effort to assist Metro in providing responsive, accountable, trustworthy governance within the Metro organization and to build and nurture a diverse, inspired, and high-performing workforce. Having a skilled, knowledgeable, effective workforce can ultimately affect the quality of service the Metro customers experience.

### **BACKGROUND**

#### **Standard Operating Procedures (SOPs)**

SOPs are documented processes, consisting of step-by-step instructions on how to execute tasks or functions. The primary goal of an SOP is to achieve efficiency, produce quality output, document minimum standards, facilitate training, accomplish knowledge capture, and promote uniformity of performance.

Each SOP should include relevant policies, tasks, timelines, sources of materials, practices, and people involved by title or role to give a clear understanding of the impact each procedure has on the accomplishment of department objectives and the agency mission. Departments have flexibility in deciding the best way to convey information to their staff such as written SOPs, training videos, online training, what they call story boards, and one-on-one training. However, SOPs are a key element that can be supplemented by these other methods because they provide the requirements in writing, are easy to maintain and update, and allow users to easily look up steps. Different people learn in different ways. SOPs join hands on and auditory training with written training, which makes for holistic learning to address all the likely methodologies by which people learn. Talent Development agrees that it is critical for Metro departments to consider documenting critical tasks in writing. They have issued advisories to encourage that practice.

#### **Benefits of SOPs**

- Provide new and existing employees with the ability to replicate processes with consistency, accuracy, and predictability.
- Protect the agency from any knowledge loss due to employee attrition.
- Document the standards for performing a particular job duty for the purposes of measuring accurate job performance and preparing performance evaluations against fair and objective standards.
- Can be important training tools and reduce the learning curve for employees newly assigned to perform a function.

Using SOPs not only ensures a more accurate and consistent workflow, it also helps to smooth and reduce the time to achieve proficiency and common stresses associated with a new job for employees' assuming and transiting into new roles.

#### **Maintenance of SOPs**

SOPs should be maintained in a centralized and readily accessible location where department employees are able to access them throughout their work day. Clear but detailed titles with numbers and dates of revisions of SOPs help employees save time locating the desired information. SOPs can be centralized in a department's share drive or in Metro's SharePoint collaboration platform.

#### **Succession Planning Tool Kit**

Over 40 percent of Metro's workforce is eligible to retire, and eventually, these employees will leave, taking years of knowledge and expertise with them. It is important that critical tasks and procedures are documented before employees leave to ensure that subsequent or interim staff are able to continue operations effectively. To ensure knowledge is transferred during workforce turnovers, Talent Development has established a succession program with several components, which includes a succession planning strategy where departments are encouraged to identify critical practices and create SOPs to document and place SOPs online where they can be accessed and reviewed by any employee.

The Tool Kit helps departments create:

- SOPs
- Business storytelling videos and
- Metro Career Pathways, Employee Development, Department 101 training

For Succession Planning Toolkit, Instructions for Writing an SOP, see Attachment A of this report.

### **OIG Lessons Learned Program**

The Office of the Inspector General created and continues to develop the Lessons Learned Program, a project management best practice that captures knowledge gained from experience, past failures and successes.

Components of the Lessons Learned Program includes things like written SOPs to capture knowledge, and a Masters Class where retired employees, chief executive officers and board members are interviewed to discuss the lessons they learned while working at Metro and their careers. The program also includes the development and implementation of an expanded knowledge management software database to capture lessons on a daily basis, catalogue them, and sort for easy access. A lesson learned may be positive, as in a communication technique that successfully kept stakeholders informed, or negative, as in a mishap or failure. Capturing these events for a Lessons Learned/Knowledge Management system benefits the organization by reducing costs and risks through avoiding past mistakes and building on prior successes. Lessons Learned focuses on real experiences others can learn from. Both successes and failures can teach and prepare others for similar tasks or projects. Departments can learn from each other as they face the same challenges by reviewing content from a Lessons Learned Program. Benefits such as reducing costs by avoiding past mistakes and increasing the possibility of repeating prior successes enhances organizational knowledge, reduces institutional risks and improves the chances for a continued organizational success.

It is important to understand that knowledge gained and reported as a lesson learned should be shared openly and honestly. Users of a Lessons Learned Program need the ability to self-analyze and self-criticize in a safe atmosphere that will not cast blame but contribute to a more effective and efficient organization.

A Lessons Learned Program may contain copies of written reports, electronic messages, forums, blogs, briefings and websites that populate an electronic repository that is shared internally amongst the organization. The electronic collection system should be a structured database accessible by individual departments who have lessons learned to share.

## **OBJECTIVE, METHODOLOGY AND SCOPE OF REVIEW**

The objective of our review was to determine whether Metro has adequate standard operating procedures (SOPs) in each of the key job functions to capture institutional knowledge to effectively manage succession planning.

To achieve the review objective, we:

- Reviewed all 653 non-contract job positions posted on the Metro Intranet;
- Identified primary tasks for each job position according to the job descriptions;
- Sent Microsoft Forms surveys to all 94 affected cost centers;
- Received and reviewed 56 cost center survey responses;

- Analyzed answers provided for 371 job positions; and
- Reviewed SOPs and other related documents provided by 30 cost centers.

This survey is not an audit. Thus, Government Audit Standards are not strictly applied in this review.

## RESULT OF REVIEW

### 1. Summary of OIG's Standard Operating Procedures Survey Result

Metro currently has approximately 653 non-contract unique job positions assigned to 94 cost centers. We sent our OIG surveys to 94 cost centers and received 56 responses pertaining to 371 job positions.

OIG created Microsoft Forms surveys for each cost center. We listed all non-contract job positions and identified the primary job duties according to the posted job descriptions. Each job position listed in the survey included five options to select from and one follow up question for each position if the respondent had further details regarding the primary duties for the job descriptions. We were flexible concerning the format or method for any SOP. We sent the corresponding survey links to each Senior Leadership Team member on July 30, 2020. We followed up at least three times with survey recipients requesting a response. For the 371 job positions surveyed, 92% (343/371) of the responses had not produced all primary job duties listed in the survey to an SOP of some kind.

For the primary job duties described in the job descriptions, only 8% (28/371) had SOPs for the positions listed. An agency-wide project to update all job descriptions was conducted recently. Yet, based on our survey, 10% of the survey respondents did not agree with the job duties in the job descriptions.

According to our survey results:

- **A** - 8% (28/371 job positions) of those who responded indicated that their cost center agrees with the primary job duties listed in the survey and they can provide an SOP or other related materials for all other tasks.
- **B** - 35% (130/371 job positions) of those that responded indicated that their cost center agrees with the primary job duties and they are able to provide SOPs or other related documents but just for some of the duties.
- **C** - 47% (176/371 job positions) of those that responded indicated that their cost center agrees with the primary duties listed but they are not able to provide SOPs.

## Review of Metro Standard Operating Procedures

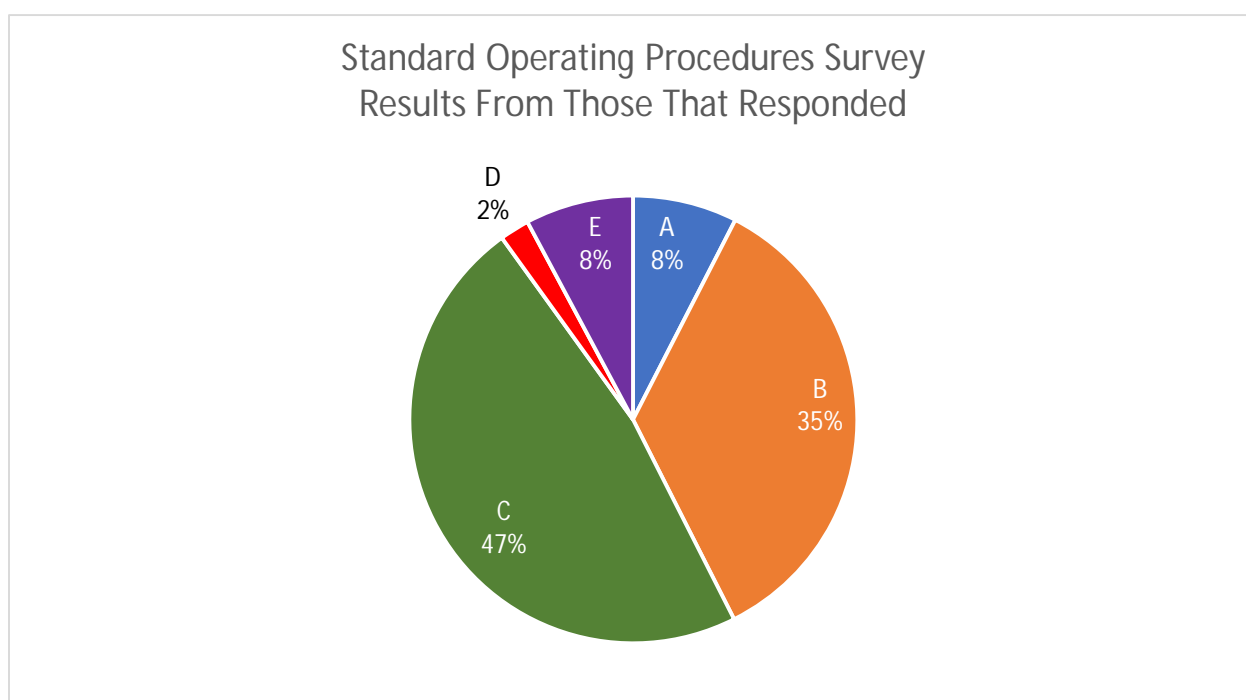
Office of the Inspector General

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- **D** - 2% (8/371 job positions) of those that responded indicated that their cost center did not agree with the primary duties listed but they can provide some documents to describe how to perform them.
- **E** - 8% (29/371 job positions) of those that responded indicated that the cost center did not agree with the job duties and they do not have anything to describe the accurate job duties.

In addition to these, for the 40% (38/94) cost centers that did not respond, we assume they have no SOPs for the purposes of this Report.

The following pie chart is the summary of OIG's Standard Operating Procedures Survey Result.



*The pie chart above represents a total of 371 positions in 56 cost centers for which answers were provided out of 653 positions surveyed in 94 cost centers.*

## 2. Responsive Departments/Cost Centers to OIG Survey

There were 56 responsive cost centers to our survey on 371 positions sent on 7/30/2020. The details of our survey responses are shown below.

Department	Cost Center #	Cost Center Name	Number of Job Positions Surveyed
Accounting	5110	Accounting	9

## Review of Metro Standard Operating Procedures

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<b>Department</b>	<b>Cost Center #</b>	<b>Cost Center Name</b>	<b>Number of Job Positions Surveyed</b>
TAP Operations	3020	TAP	18
Office of Management and Budget	4430	Local Programming	11
Congestion Reduction	2220	Congestion Reduction	9
Motorist Services	3351	SAFE	4
	3352	Freeway Patrol	4
Board Relations, Policy and Research Service	2410	Board Relations, Policy and Research	5
Procurement & Supply Chain Management	6320	Acquisition Management Services	10
	6330	Inventory Management	5
	6350	Logistics	7
	6940	Procurement/Contract Administration	7
	6925	Administration Policy	4
	6915	Executive Administration	5
	2514	Contract Support Pre-Qualification Office	2
	6951	Client Services/Administration Business Services	8
	2130	Diversity and Economic Opportunity	12
Systems Security and Law Enforcement	2611	System Security and Law Enforcement Emergency Management	1
	2610	Systems Security and Law Enforcement	13
Risk/Safety and Asset Management	5310	Risk Management	17
	6810	Corporate Safety	15
	6821	Enterprise Transit Asset Management	8

## Review of Metro Standard Operating Procedures

**Office of the Inspector General**

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<b>Department</b>	<b>Cost Center #</b>	<b>Cost Center Name</b>	<b>Number of Job Positions Surveyed</b>
Office of Extraordinary Innovation	2031	Office of Extraordinary Innovation	12
Civil Rights	2413	Civil Rights	7
Management Audit Services	2510	Management Audit	10
Information Technology Services	3198	Information Security/IT	5
	3961	Transit Operation Security	9
	9210	Information Management	11
	9220	Operations and Service Delivery	3
	9230	Systems Architecture and Technology Integration	13
	9240	IT Project Office & Admin	10
	9250	Digital Strategy and Innovation	5
Executive Office Countywide Planning and Development	4010	Executive Office Countywide Planning and Development	4
Transportation Demand Management	3046	Parking Management/Transportation Demand Management	3
	4320	Bike Share/Transportation Demand Management	4
	4510	Executive Office of Real Estate/Transportation Demand Management	2
	4540	TDM Policy and Regional Shared Mobility	5
Real Estate	4520	Real Estate/Union Station Operating and Management	2
	6520	Real Property and Asset Management	5
Transit Oriented Communities	2210	Transit Oriented/Joint Development	3

## Review of Metro Standard Operating Procedures

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<b>Department</b>	<b>Cost Center #</b>	<b>Cost Center Name</b>	<b>Number of Job Positions Surveyed</b>
	4330	Transit Oriented Communities/Systemwide Design	3
	4340	Transit Oriented Communities First/Last Mile Planning	4
	4530	Transit Oriented Communities	6
Long Range Transportation Plan	4210	Long Range Planning Admin	2
	4220	Long Range Transportation Plan Team 1	7
	4230	Technical Services Team 1	6
Connectivity Programs	4240	Mobility Corridors Team 4	4
	4360	Mobility Corridors Team 3	5
Mobility Corridors	4310	Mobility Corridors Team 1	5
	4315	Exec Office, Long Range & Mobility Corridors	3
	4350	Special Projects/Mobility Corridors	2
	4370	Mobility Corridors Team 2	6
Grants Management and Oversight	4440	Grants Management and Oversight	9
Federal/State Policy and Programming	4420	Federal/State Policy and Programming	8
Strategic Financial Planning	4410	Strategic Financial Planning	6
Chief Executive Office	2010	Office of the CEO	4
Ethics	1120	Ethics	4
		<b>Total of 56 Cost Centers Responded</b>	<b>371 Job Positions Surveyed</b>

## Review of Metro Standard Operating Procedures

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### 3. Non-Responsive Departments/Cost Centers to OIG Survey

There were 38 non-responsive cost centers to our survey(s) sent on 7/30/2020. The details are shown below.

Senior Business Unit/Department Name	Cost Center #	Cost Center Name
Communications	7140	Marketing
	7010	Executive Office, Communications
	7119	Metro Art & Design
	7120	Art Program
	7121	Signage and Environmental Graphic Design
	5420	Customer Programs and Services
	7170	Customer Relations
	7110	Public Relations
	7130	Government Relations
	7160	Community Relations
Program Management	2415	Regional Rail
	4710	Highway Capital
	4720	Highway Programs A
	4730	Highway Programs B
	4740	Highway Programs ITS
	8010	Project Management, Transit
	8110	Quality Assurance/Compliance
	8310	Engineering Management
	8320	Project Engineering Facilities
	8330	Systems Engineering
	8380	Bus Capital Facilities
	8410	Construction Management
	8420	Environment Compliance/Sustainability
	8430	Third Party Administration
	8610	Program Control
Finance & Treasury	5210	Treasury
	5610	Office of Management & Budget

## Review of Metro Standard Operating Procedures

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Senior Business Unit/Department Name	Cost Center #	Cost Center Name
TAP Operations	5440	Revenue Collection
Information Technology	6440	Research & Records Information Management
Planning & Development	6510	Right of Way/Asset Management
Human Capital & Development	2420	Employee & Labor Relations
	5211	Pension & Benefits
	2465	EO, HC &D
	6010	Workforce Services
	6410	General Services Administration
	6430	Building Services
	6220	Talent Development
	6240	Talent Acquisition
	<b>Total non-responsive cost center:</b>	<b>38</b>

### Requested SOPs

As part of our review, we also requested those departments who had SOPs or other related materials to upload copies to Metro's SharePoint site as instructed in the survey. We received several SOPs from 30 different cost centers. However, we are missing SOPs from 13 cost centers that answered they were able to provide written documentation for at least one of the job positions listed but failed to do so. Based on the survey results, 21 cost centers selected survey options stating they did not have SOPs to provide for any of the job positions listed. The SOPs we received included several formats. We did not impose any strict requirements on the format, design or even content of SOPs submitted. We were flexible.

### Types of SOPs Received

We placed no minimum requirement on the length, format, content or quality of their SOPs. We made it clear that we were open to any sort or type of an SOP that documents the task or function and provides a reasonable amount of detail to satisfy the purpose described herein. Talent Development previously emailed all departments encouraging them to create SOPs and they included helpful links and information on how to write them. We believe an SOP is only useful if

## Review of Metro Standard Operating Procedures

Office of the Inspector General

Report No. 21-AUD-04

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sufficient details specifically describe a process so that a person with no prior knowledge of the function could completely perform the work with only the SOP to rely upon. We received SOPs that followed, *Succession Planning Instructions for writing an SOP* provided by Talent Development (See Attachment A). Cost centers provided SOPs in the form of:

- manuals
- memos
- guidebooks
- PowerPoints presentations
- catalogues and reference materials

Based on the survey results and the documents provided to us, we found Accounting, Civil Rights, Ethics, Risk/Safety & Asset Management, System Security & Law Enforcement, VCM and Human Capital & Development (HC&D) seemed more prepared for the VSIP.

For a detailed look at the gathered data relating to cost centers' participation, see Attachment B.

### **Non-Responsive Departments**

Some departments did not provide any copies of their SOPs because they either stated in the survey that they were not able to provide any or failed to complete our survey and request.

The departments were considered non-responsive if they did not respond to our survey or stated they were not able to provide SOPs. We sent multiple reminders to the Senior Leadership Team (SLT) asking them to respond and provide any SOPs and other related documents they may have to be included in the survey data. It is reasonable to infer that those departments that did not respond may have nothing to provide.

To facilitate departments or cost centers to provide us information, we created a convenient SharePoint page where cost centers were able to upload different types of documents to their appropriate cost center folder. We also made ourselves available and encouraged anyone with questions or concerns to reach out to us. We assisted those cost centers who contacted us for assistance and had questions regarding the surveys and uploading data.

Although HC&D did not respond to our survey, they did provide access to a shared drive that contained several files covering SOPs for each cost center. For Cost Center 6510, Right of Way/Asset Management, they notified us they did respond to our survey, however, we were unable to view their responses due to a technical error. Planning and Development did have regular communication with us regarding our requests.

## **CONCLUSION**

Our review found that Metro lacks adequate SOPs in some of the key job functions, which may restrain overall succession planning and make those departments without any SOP less prepared for the VSIP although Talent Development is encouraging and supporting department to try to accomplish knowledge capture and transfer for those departments that have employees leaving via VSIP.

Metro should continue to make an effort to assist departments to develop their SOPs, especially with Metro's recently introduced Voluntary Separation Incentive Program (VSIP) that will cause a surge in losing long-term employees with institutional knowledge. The VSIP states employees must complete the knowledge transfer process, and representatives from the HC&D Talent Development team will assist. HC&D has published guidance on capturing legacy knowledge, instructions for writing an SOP and web links to LinkedIn Learning courses to create SOPs with specificity that are sufficiently useful.

Although time and resources may be an obstacle for many departments to follow succession planning, there is a potential greater loss of time and resources if people retire or leave their positions and interim staff or new hires struggle to perform tasks because there are no documented procedures. SOPs document how long-term staff perform their tasks, which may include sage advice that can be passed on to new employees. SOPs provide structure and consistency, which reduces errors while performing critical tasks.

Well-crafted SOPs facilitate a smooth transition between a tenured and an incoming employee and reduce the risk of losing institutional knowledge. Metro has issued repeated warnings that a high percentage of employees are eligible for retirement and the recent introduction of the VSIP will hasten the departure of tenured employees with their knowledge. The absence of effective SOPs for any department's job positions and critical tasks, like those created by Metro Operations, make the concern of employees exiting via VSIP even greater. Metro's CEO created the Metro Career Pathway for employee development, which requires all departments to conduct Metro Department 101 training including having SOPs. Compliance with that directive can be achieved in part by acting on the recommendations in this report. It is time to make SOPs a requirement for the agency.

## **RECOMMENDATIONS**

We recommend the CEO office coordinate with Chief Policy Officer and Metro's Senior Leadership Team (SLT) members to direct their respective Strategic Business Unit's staff to:

1. Continue to create or improve SOPs with top priority given to those positions where employees choose to leave the agency through participation in the VSIP;
2. Develop SOPs for all positions and critical tasks for departments lacking SOPs;
3. Improve and update SOPs for departments that have SOPs but lack workable details that allow employees to follow instructions and execute tasks effectively;

## **Review of Metro Standard Operating Procedures**

**Office of the Inspector General**

**Report No. 21-AUD-04**

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4. Work with and develop SOPs for departments that have limited documentation, to achieve results similar to SOPs;
5. Hire consultants, assign an Entry Level Trainee or reassign department resources to create SOPs for the departments that need assistance to create SOPs;
6. Further review or evaluate the lack of SOPs throughout the agency;
7. Assign each employee to provide input or assist to write up an SOP draft for their own job duties as part of their objectives in the IPPs.

Human Capital & Development should:

8. Reach out to departments listed on section 3 of this report (Communications, Program Management, Finance & Treasury, TAP Operations, and ITS) that were non-responsive to the SOP survey, and offer to assist them to start an SOP writing project.
9. Have Strategic Business Units spend the time and resources needed for successful succession planning including creating SOPs.

### **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On January 8, 2021, we provided Metro management a draft report with nine recommendations. On February 8, 2021, Metro management sent us their response that summarized their actions as shown in Attachment C.

### **OIG EVALUATION OF MANAGEMENT RESPONSE**

Metro Management's response and actions to be taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed.

## Succession Planning Toolkit, Instructions for Writing an SOP

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### TALENT DEVELOPMENT

#### Instructions for writing a SOP

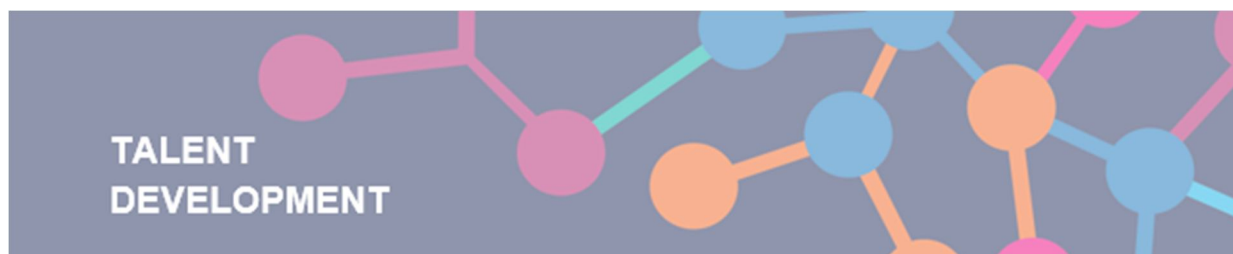
- **Cover the necessary material:** In general, Standard Operating Procedures will consist of four elements apart from the procedure itself:
- **Title page:** This includes
  1. The title of the procedure
  2. An SOP identification number
  3. Date of issue or revision
  4. The name of the agency/division/department the SOP applies to
  5. The signatures of those who prepared and approved of the SOP.
- **Quality Assurance/Quality Control:** A procedure is not a good procedure if it cannot be checked. Have the necessary materials and details provided so the reader can make sure they've obtained the desired results. This may or may not include other documents, like performance evaluation samples.
- **Reference:** Be sure to list all cited or significant references. If you reference other SOPs, be sure to attach the necessary information in the appendix.



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## Succession Planning Toolkit, Instructions for Writing an SOP

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### Standard Operating Procedure

(SOP)

{Document Title Here}

{Facility Name Here}

\_\_\_\_\_  
Prepared by: Name/Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approved by: Name/Title

\_\_\_\_\_  
Date

Effective Date: MM/DD/YYYY



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## Succession Planning Toolkit, Instructions for Writing an SOP



### *Revision History*

This page documents the revisions over time to the SOP. The most recent iteration should be listed in the row space, with consecutive versions following. Signatures may be required for revised documents.

Date of Revision	Page(s)/Section(s) Revised	Revision Explanation



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## Succession Planning Toolkit, Instructions for Writing an SOP

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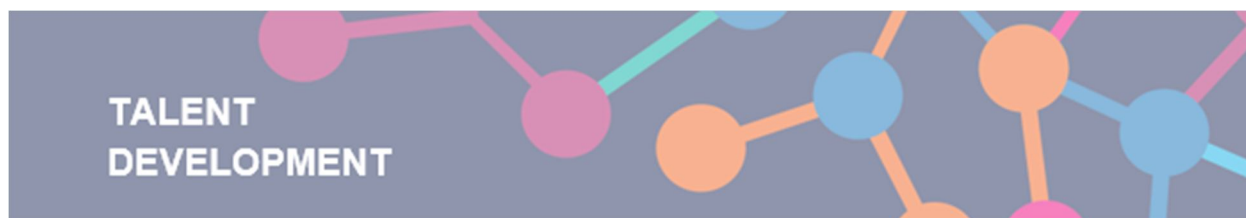
The following are topics that may be appropriate for inclusion in technical SOPs. Not all will apply to every procedure or work process being detailed. If a particular topic does not apply, leave the topic heading in and insert "Not applicable for this SOP."

- a) Scope and Applicability – describing the purpose of the process or procedure and any organization or regulatory requirements, as well as any limits to the use of procedure.
- b) Summary of Method – Briefly summarize the procedure.
- c) Definitions – identify any acronyms, abbreviations, or specialized terms used in this SOP.
- d) Health & Safety Warning – Indicate any operations that could result in personal injury or loss of life and explaining what will happen if the procedure is not followed or is followed incorrectly; listed here and at the critical steps in the procedure.
- e) Cautions – Indicate any activities that could result in equipment damage, degradation of sample, or possible invalidation of results; listed here and at the critical steps in the procedure.
- f) Interferences – Describe any components of the process that may interfere with the accuracy of the final product.
- g) Personnel Qualifications/Responsibilities – Denote the minimum experience the user should have to complete the task satisfactorily, and cite any applicable requirements, like certifications.



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## Succession Planning Toolkit, Instructions for Writing an SOP



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  - h. Equipment and Supplies
  - i. Step by step procedure
    - Instrument or Method Calibration and Standardization
    - Sample Collections
    - Sample Handling and Preservation
    - Sample preparation and analysis
    - Troubleshooting
    - Data Acquisition, Calculations & Data Reduction Requirements
    - Computer Hardware & Software
  - j. Data and Record Management
4. Quality control and quality assurance section
5. Reference Section



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## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Treasury	Treasury	5210	9	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Accounting	Accounting	5110	9	1	8	SOPs/Documents/Data Provided: Fiduciary Accounting, Financial Information System, General Ledger, Project Accounting, Accounts Receivable, Credit-Collections, Accounts Payable, Payroll documents
TAP Operations	TAP	3020	19	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
TAP Operations	Revenue Collection	5440	19	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Office of Management and Budget	Local Programming	4430	11	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Office of Management and Budget	Office of Management and Budget	5610	13	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Congestion Reduction	Congestion Reduction	2220	9	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Motorist Services	SAFE	3351	4	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Motorist Services	Freeway Patrol	3352	4	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Board Relations, Policy and Research Service	Board Relations, Policy and Research	2410	5	1	4	SOPs/Documents/Data Provided: Office of the CEO Board Relations Communications, Board Box Procedures, EVC Summary Guidelines, List of Board Report Review Checklist
Supply Chain Management (VCM)	Acquisition Management Services	6320	10	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Supply Chain Management (VCM)	Inventory Management	6330	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Supply Chain Management (VCM)	Logistics	6350	7	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Procurement (VCM)	Procurement/Contract Administration	6940	7	1	0	This cost center responded to our Survey

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						but did not provide us with an SOP or related documents.
Procurement and Supply Chain Management (VCM)t	Administration Policy	6925	4	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Procurement and Supply Chain Management (VCM)	Executive Administration	6915	5	1	65	SOPs/Documents/Data Provided: Introduction to Vendor/Contract Management's "I AM VCM", VCM Reference Materials/Policies Procedures Trainings
Procurement and Supply Chain Management (VCM)	Contract Support Pre-Qualification Office	2514	2	1	65	SOPs/Documents/Data Provided: Introduction to Vendor/Contract Management's "I AM VCM", VCM Reference Materials/Policies Procedures Trainings
Procurement and Supply Chain	Client Services/Administration Business Services	6951	8	1	65	SOPs/Documents/Data Provided: Introduction to Vendor/Contract

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Management (VCM)						Management's "I AM VCM", VCM Reference Materials/Policies Procedures Trainings
Procurement and Supply Chain Management (VCM)	Diversity and Economic Opportunity	2130	12	1	65	SOPs/Documents/Data Provided: Introduction to Vendor/Contract Management's "I AM VCM", VCM Reference Materials/Policies Procedures Trainings
Systems Security and Law Enforcement	System Security and Law Enforcement Emergency Management	2611	1	1	6	SOPs/Documents/Data Provided: Emergency Management Policy, Homeland Security Exercise and Evaluation Program, LA Metro Enterprise wide COOP Plan, National Incident Management System, National Infrastructure Protection Plan, National Response Framework

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Systems Security and Law Enforcement	Systems Security and Law Enforcement	2610	13	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Risk/Safety and Asset Management	Risk Management	5310	17	1	9	SOPs/Documents/Data Provided: Principal Risk Analyst, Risk Management Public liability/ Property Damage, Preservation of Evidence, Workers Compensation Claims Administration, PLPD Claims Handling Policy, Claim Investigations Checklist- Bus/Rail Incidents, PLPD Chargeback, Workers' Compensation Bill Payment Protocols, Special Investigations Unit Operational Manual

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Risk/Safety and Asset Management	Corporate Safety	6810	15	1	18	SOPs/Documents/Data Provided: Conducting a FOF, Fire Prevention during welding/cutting/ other, Testing and Management of Electrical Insulating Equipment, Ergonomics, Environmental Cleaning and Disinfecting, Rail-Accident Investigation, Refrigerant Management, Wipe-Cleaning of Non-Revenue Vehicles/CEA Units, Handling and Storage of Flammable Liquids and Compressed Gas, Responding to Infectious Diseases, SAFE-7 System User Guide

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Risk/Safety and Asset Management	Enterprise Transit Asset Management	6821	8	1	1	SOPs/Documents/Data Provided: Enterprise Transit Asset Management- Statement on SOPs
Regional Rail	Regional Rail	2415	10	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Highway Project Delivery	Highway Capital	4710	4	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Highway Project Delivery	Highway Programs	4720	5	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Highway Project Delivery	Highway Project Delivery Programs	4730	5	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Highway Project Delivery	Highway Programs ITS	4740	3	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Program Management, Transit	Transit Executive Office/Project Management	8010	9	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Quality Management Assurance	8110	6	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Engineering Management	8310	3	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Project Engineering Facilities	8320	6	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Systems Engineering	8330	7	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Bus Capital Facilities	8380	7	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Program Management, Transit	Construction Management	8410	9	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Environment Compliance/Sustainability	8420	7	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Management, Transit	Third Party Administration	8430	4	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Program Control	Program Control	8610	13	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Office of Extraordinary Innovation	Office of Extraordinary Innovation	2031	12	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Civil Rights	Civil Rights	2413	7	1	7	SOPs/Documents/Data Provided: Chief Civil Rights Officer, Director of Civil Rights

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						Programs, Accessibility Program Manager, Accessibility Analyst, Senior EEO Program Investigator, Civil Rights Compliance Administrator, Administrative Analyst
Management Audit Services	Management Audit	2510	10	1	6	SOPs/Documents/Data Provided: Audit Support Manager- Audit Report Tracking, Closeout of Audit Recommendations, TeamMate Admin Procedures, Consulting Onboarding, Consultant Resumes, CPE Tracking, Board Report Procedures
Information Technology Services	Information Security/IT	3198	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Information Technology Services	Transit Operation Security	3961	9	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Information Technology Services	Research and Records Information Management	6440	8	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Information Technology Services	Information Management	9210	11	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Information Technology Services	Operations and Service Delivery	9220	3	1	1	SOPs/Documents/Data Provided: Help Desk
Information Technology Services	Systems Architecture and Technology Integration	9230	13	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Information Technology Services	IT Project Office & Admin	9240	10	1	0	This cost center responded to our Survey but did not provide us

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						with an SOP or related documents.
Information Technology Services	Digital Strategy and Innovation	9250	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Marketing	Marketing	7140	22	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Executive Office, Communications	Executive Office, Communications	7010	4	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Creative Services	Metro Art & Design	7119	5	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Creative Services	Art Program	7120	4	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

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Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Creative Services	Signage and Environmental Graphic Design	7121	4	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Creative Services	Customer Programs and Services	5420	2	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Creative Services	Customer Relations	7170	6	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Public Relations	Public Relations	7110	6	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Government Relations	Government Relations	7130	5	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.
Community Relations	Community Relations	7160	12	0	0	This cost center did not respond to our survey or send in any form of SOP or related document.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Executive Office Countywide Planning and Development	Executive Office Countywide Planning and Development	4010	4	1	4	SOPs/Documents/Data Provided: Director, Secretary, Senior Analyst, Senior Manager
Transportation Demand Management	Parking Management/Transportation Demand Management	3046	3	1	1	SOPs/Documents/Data Provided: Parking Management
Transportation Demand Management	Bike Share/Transportation Demand Management	4320	4	1	1	SOPs/Documents/Data Provided: Dispatching Balancers
Transportation Demand Management	Executive Office of Real Estate/Transportation Demand Management	4510	2	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Transportation Demand Management	TDM Policy and Regional Shared Mobility	4540	5	1	1	SOPs/Documents/Data Provided: Metro Rideshare/Shared Mobility
Real Estate	Real Estate/Union Station Operating and Management	4520	2	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Real Estate	Right of Way/Asset Management	6510	8	0	0	Technical error, cost center did complete it but we were not able to view responses.
Real Estate	Real Property and Asset Management	6520	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Transit Oriented Communities	Transit Oriented/Joint Development	2210	3	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Transit Oriented Communities	Transit Oriented Communities/Systemwide Design	4330	3	1	2	SOPs/Documents/Data Provided: Standard Operating Procedures Flow Chart, Systemwide Station Design Team-Primary Responsibilities by Position
Transit Oriented Communities	Transit Oriented Communities First/Last Mile Planning	4340	4	1	0	This cost center responded to our Survey but did not provide us

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						with an SOP or related documents.
Transit Oriented Communities	Transit Oriented Communities	4530	6	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Long Range Transportation Plan	Long Range Planning Admin	4210	2	1	0	This Cost Center responded to our Survey but did not provide us with an SOP or related documents.
Long Range Transportation Plan	Long Range Transportation Plan Team 1	4220	7	1	1	SOPs/Documents/Data Provided: Long Range Transportation Plan Department
Long Range Transportation Plan	Technical Services Team 1	4230	6	1	1	SOPs/Documents/Data Provided: LA Metro Procedure Guide-Travel Demand Modeling Mapping and Spatial Analysis Survey Research
Connectivity Programs	Mobility Corridors Team 4	4240	4	1	0	This cost center responded to our Survey

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						but did not provide us with an SOP or related documents.
Connectivity Programs	Mobility Corridors Team 3	4360	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Mobility Corridors	Mobility Corridors Team 1	4310	5	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Mobility Corridors	Exec Office, Long Range & Mobility Corridors	4315	3	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Mobility Corridors	Special Projects/Mobility Corridors	4350	2	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Mobility Corridors	Mobility Corridors Team 2	4370	6	1	0	This cost center responded to our Survey

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
						but did not provide us with an SOP or related documents.
Grants Management and Oversight	Grants Management and Oversight	4440	9	1	2	SOPs/Documents/Data Provided: Metro Grants Management and Oversight Processes and Procedural Manual, Metro Grant Subrecipient Guidebook
Federal/State Policy and Programming	Federal/State Policy and Programming	4420	8	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Strategic Financial Planning	Strategic Financial Planning	4410	6	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Labor/Employee Services	Employee and Labor Relations	2420	5	0	5	Shared drive link was provided to OIG with department's SOPs and other related data.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Labor/Employee Services	Pension & Benefits	5211	6	0	76	Shared drive link was provided to OIG with department's SOPs and other related data.
EO, HC& D	EO, HC& D	2465	7	0	6	Shared drive link was provided to OIG with department's SOPs and other related data.
Workforce Services	Workforce Services	6010	7	0	9	Shared drive link was provided to OIG with department's SOPs and other related data.
Workforce Services	General Services Administration	6410	6	0	35	Shared drive link was provided to OIG with department's SOPs and other related data.
Workforce Services	Building Services	6430	5	0	17	Shared drive link was provided to OIG with department's SOPs and other related data.
Talent Management	Talent Development	6220	8	0	17	Shared drive link was provided to OIG with department's SOPs and other related data.

## Schedule of Surveys Sent/Responses Received and SOPs Collected

Department (SBU)	Cost Center	Cost Center No.	Number of Job Positions Surveyed	# of Survey Responses Recorded	# of SOP's/Other Related Documents Recorded	Notes
Talent Management	Talent Acquisition	6240	12	0	28	Shared drive link was provided to OIG with department's SOPs and other related data.
Chief Executive Office	Office of the CEO	2010	4	1	0	This cost center responded to our Survey but did not provide us with an SOP or related documents.
Ethics	Ethics	1120	4	1	79	This cost center provided 79 SOPs for all job positions listed in survey.
<b>Total</b>			<b>653 job positions surveyed</b>	<b>56 survey responses</b>	<b>30 cost centers provided SOPs</b>	

Note: 30 out of 56 cost centers provided us with an SOP or related document. 20 of the 56 responded but did not provide any SOPs. Human Capital and Development as well as Procurement and Supply Chain Management (VCM) provided links with several files for their corresponding cost centers. Human Capital and Development provided a share drive that covered cost centers 2420, 5211, 2465, 6410, 6430, 6220, and 6240 containing 184 files in total. The Procurement and Supply Chain Management provided us with a document that included 65 links for SOP's and other related documents that covered cost centers 2130, 2514, 6915, and 6951.

## Management Comments to Draft Report


**Metro**

### Interoffice Memo

Date	February 8, 2021
To	Yvone Zheng, Senior Manager, Audit Office of Inspector General (OIG)
From	Nadine Lee, Chief of Staff Elba Higueros, Chief Policy Officer
Subject	Response to OIG Audit Report No. 21-AUD0-04: Review of Metro Standard Operating Procedures

On behalf of the departments reviewed by the OIG, the Office of the CEO (OCEO) has received and reviewed the Audit Report No. 21-AUD-04: Review of Metro Standard Operating Procedures (SOPs), dated January 8, 2021. The report makes nine recommendations related to the creation and continuous improvement of Standard Operating Procedures (SOPs) to assist in knowledge transfer and succession planning for the Metro organization.

Management agrees with the following points, summarized from the OIG report:

1. SOPs are needed to ensure smooth knowledge transfer, most urgently due to the retirements resulting from the Voluntary Separation Incentive Program.
2. A way to create this knowledge transfer is to have SOPs for all departments across the organization.
3. SOPs can take many forms and can be unique to the cost center or function within the organization.
4. The recommendations in the OIG report reflect the varying states of SOP development within the reviewed departments.

OCEO, in partnership with the Human Capital & Development Department, will work with the reviewed departments to develop the SOPs in the best form to facilitate the transfer of knowledge through staff transitions and onboarding of new employees.

## Final Report Distribution

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Chief Planning Officer  
Chief Program Management  
Chief Risk, Safety & Asset Management Officer  
Chief System Security & Law Enforcement Officer  
Chief Vendor/Contract Management Officer  
Executive Officer, Administration  
Executive Officer, Congestion Reduction  
DEO, General Services  
Audit Support Manager  
Manager, Records & Information Management

# Review of Metro Standard Operating Procedures (SOP)

*OIG Report No. 21-AUD-04*

Karen Gorman, Inspector General

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February 2021



# Objectives

The objectives of the review were to determine whether:

- Metro has adequate standard operating procedures (SOPs).
- Departments are prepared for knowledge capture of persons who leave Metro.

# Results & Recommendations

- For the 371 job positions we surveyed, 92% (343/371) of the responses did not have complete SOPs for the primary job duties for positions.
- We found Accounting, Civil Rights, Ethics, Risk/Safety & Asset Management, System Security & Law Enforcement, Vendor/Contract Management, and Human Capital & Development had the most SOPs and seemed more prepared for employee turnover.
- We made 9 recommendations for Metro to create or improve SOPs and processes.

