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Agenda - Final

Wednesday, November 18, 2020

1:30 PM

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Finance, Budget and Audit Committee

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Kathryn Barger, Vice Chair

John Fasana

Paul Krekorian

Mark Ridley-Thomas

John Bulinski, non-voting member

Phillip A. Washington, Chief Executive Officer

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(ALSO APPLIES TO BOARD COMMITTEES)

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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.

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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
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The Board Meeting begins at 1:30 PM Pacific Time on November 18, 2020; you may join the call 5 minutes prior to the start of the meeting.

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Email: jacksonm@metro.net

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CALL TO ORDER

ROLL CALL

NON-CONSENT

5. **SUBJECT: LEASE AGREEMENT FOR METRO OPERATOR LAYOVER OFFICE, 8305 HINDRY AVENUE, LOS ANGELES**

[2020-0670](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three (3)-year lease agreement with two (2) one-year options commencing December 1, 2020 with Priceless Westchester Investment, LLC ("Lessor"), for the LA Metro rail operator layover space located at 8305 Hindry Avenue in Los Angeles at a rate of \$4,810.00 per month with escalations of three percent (3%) annually and approximately \$500,000 in tenant improvements for a total of \$906,627.39 over the initial term and options, if needed (see Attachment B - Deal Points).

Attachments: [Attachment A - Lease Location and Plan Draft](#)
 [Attachment B - Deal Points](#)
 [Attachment C - Rent Comparison](#)

6. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 FIRST QUARTER REPORT** [2020-0735](#)

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending September 30, 2020.

Attachments: [Attachment A - Management Audit Services First Quarterly FY 2021 Report](#)

7. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD JANUARY 1, 2020 TO MARCH 31, 2020** [2020-0691](#)

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2020 to March 31, 2020.

Attachments: [Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Exp
Staff Report](#)

- SUBJECT: GENERAL PUBLIC COMMENT** [2020-0747](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

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

Adjournment



Board Report

File #: 2020-0670, File Type: Agreement

Agenda Number: 5.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 18, 2020

SUBJECT: LEASE AGREEMENT FOR METRO OPERATOR LAYOVER OFFICE, 8305 HINDRY AVENUE, LOS ANGELES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three (3)-year lease agreement with two (2) one-year options commencing December 1, 2020 with Priceless Westchester Investment, LLC ("Lessor"), for the LA Metro rail operator layover space located at 8305 Hindry Avenue in Los Angeles at a rate of \$4,810.00 per month with escalations of three percent (3%) annually and approximately \$500,000 in tenant improvements for a total of \$906,627.39 over the initial term and options, if needed (see Attachment B - Deal Points).

ISSUE

Metro is in need of a rail operator layover site for light rail transit operators along the Crenshaw/LAX (CLAX) line in close proximity to the Westchester/Veterans Station in Los Angeles to be complete and fully operational by summer 2021.

BACKGROUND

The location and scope of the Airport Metro Connector (AMC) construction project will require the temporary relocation of a current Metro rail operator layover space due to the AMC project requiring closure of rail operations within the project area. Originally located at the Southwest Maintenance Yard (SWY), the rail operator layover space - vital in providing necessary rest and transfer points for rail operators - will be moved to a new leased space consisting of 1,850 square feet to include bathrooms, breakroom and office space located within walking distance to the next northern CLAX station (Veterans/Westchester Station) until the AMC Station project is complete and ready to operate (see Attachment A - Lease Location and Plan Draft). Once rail operations are started in this area, the new operator layover space will be transferred back permanently to previous location at the SWY thus terminating the new lease location.

DISCUSSION

Findings

The proposed location at 8305 Hindry Ave has been identified as the optimal location due to its close proximity to the Westchester/Veterans Station. Of the available sites, this location is the closest walking distance from the station, providing more safety and efficiency for Rail Operators. Metro Real Estate staff conducted a rental survey (Attachment C) and found the pricing is consistent with other surrounding properties, after taking into account the smaller size and better location.

Considerations

Without a Metro rail operator layover space near the Westchester/Veterans Station, Metro will not be able to meet the needs of the light rail operators required breaks and make the maximum use of their time to be rested and alert during their shift.

Equity Platform

This project addresses Metro's equity platform by improving access to Metro transportation services in underserved communities and stations.

DETERMINATION OF SAFETY IMPACT

This board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

Approval of the lease with Priceless Westchester Investment, LLC is estimated to be a total of \$906,627.39 over the term including tenant improvements, and any term extensions if needed. The terms are within market rate for similar space in the area.

Impact to Budget

The proposed lease obligations & tenant improvements are currently budgeted in Airport Metro Connector FY21 budget.

Cost Center: 8510 Project: 860303
For Tenant Improvement: Account 53101 Task 3.3.02.04
For Lease: Account 51201 Task 3.4.02

Future lease obligations will be included in annual budget preparation.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 2, to provide "outstanding trip experiences for all."

ALTERNATIVES CONSIDERED

The alternative is to not select the proposed site and lease another site at an alternative location which would be less convenient and potentially add longer layover times for the CLAX Line operations.

NEXT STEPS

Complete negotiations of favorable lease terms with the landlord subject to review and approval by County Counsel. Upon Board authorization, Real Estate staff will finalize the lease agreement with Priceless Investment, LLC, forward to County Counsel for approval review, and submit for execution by the CEO for the initial three-year lease period and, if needed, additional lease options.

Tenant improvement construction is planned to begin approximately January 4, 2021, with occupancy expected summer 2021.

ATTACHMENTS

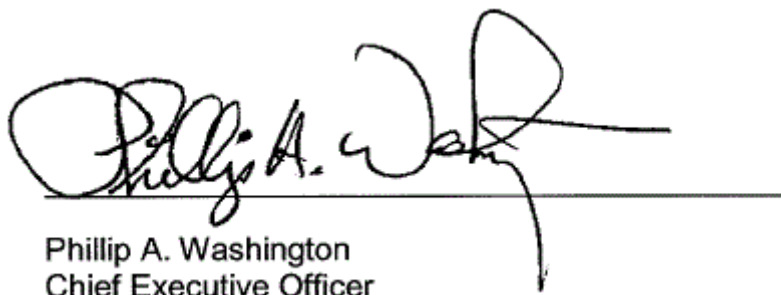
Attachment A - Lease Location & Plan Draft

Attachment B - Deal Points

Attachment C - Rental Survey

Prepared by: Paul Whang, Senior Director, Engineering, Program Management (213) 922-4705
John Beck, Principal Real Estate Officer, Countywide Planning & Development, (213) 922-4435
John Potts, Executive Officer, Countywide Planning & Development, (213) 928-3397
Holly Rockwell, SEO - Real Estate, Transit Oriented Communities and Transportation Demand Management, (213) 922-5585

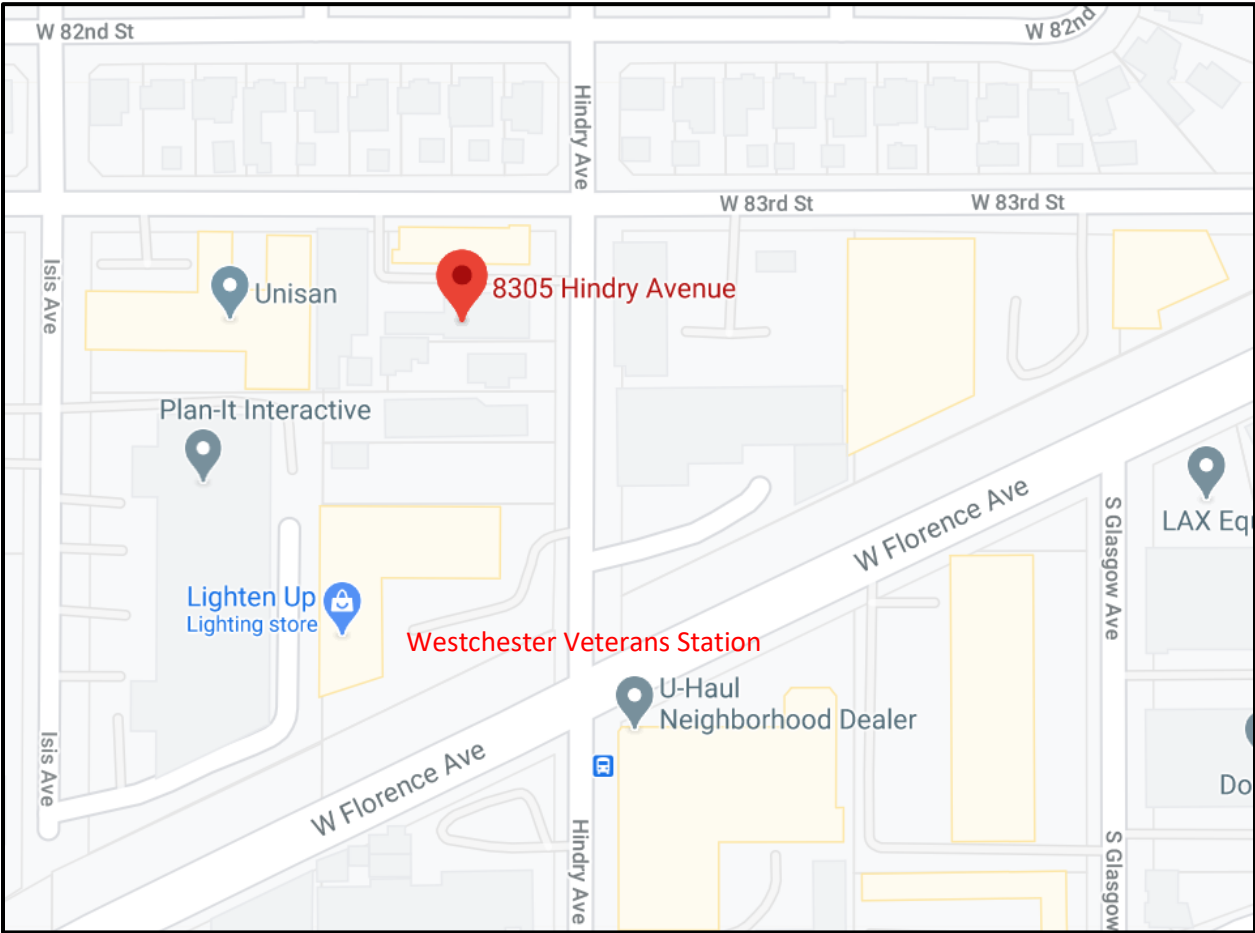
Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



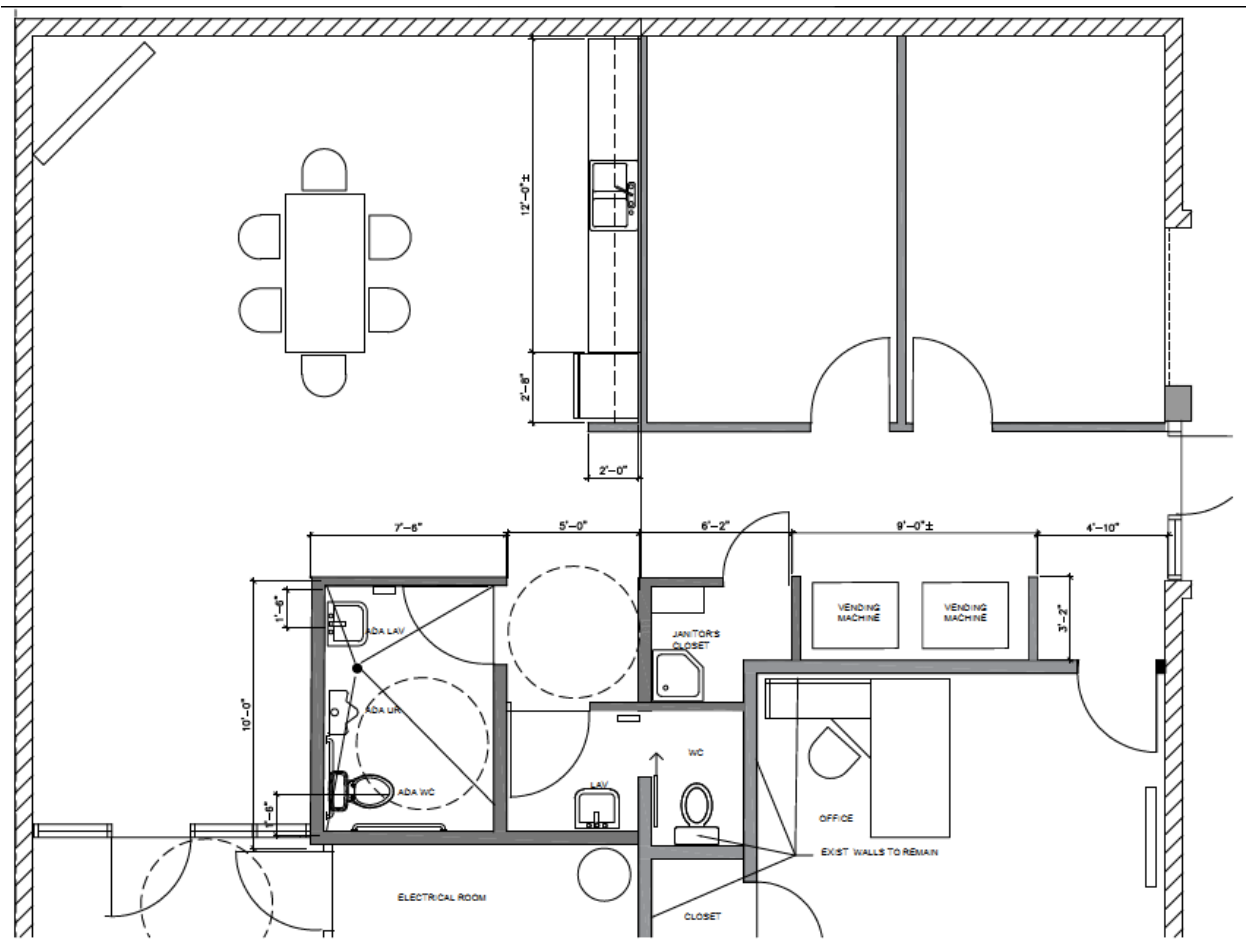
Phillip A. Washington
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft

Location Map



Floor Plan Draft



(A) ENLARGED FLOOR PLAN

Attachment B – Deal Points

New or renewal	New Lease
Landlord/Owner	Priceless Westchester Investment, LLC
Location	8305 Hindry Avenue, Los Angeles
Premises	Approximately 1,850 square feet
Purpose	An Operator Rest Stop and security office to support the Manchester/Veterans Station.
Commencement and Duration (note any extensions)	Three-years commencing approximately January 1, 2021 with two one-year extensions.
Total Cost	The total lease value is approximately \$906,627.39 over the initial three (3)-year term, two one (1)-year option terms and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by Costar.
Background with this Landlord	None. This will be the first transaction with the landlord, Priceless Investment, LLC.
Special Provisions	The TI's are estimated to cost about \$500,000. The work will be performed by the landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money budgeted in Airport Metro Connector Budget.

Exhibit C – Rent Survey Summary

Photo	Address	Building Type	SF Available	Effective Rental Rate	Comments
	**Subject Property 8305 Hindry Ave. Los Angeles	Industrial	1,850 SF	\$2.35	This is the only site available within walking distance of the Westchester Veterans Station and is not oversized.
	420 S. Hindry Ave. Inglewood	Industrial	2,940 SF	\$2.30	This site is not within walking distance and requires leasing 1,000 SF more than necessary.
	440 S. Hindry Ave. Inglewood	Industrial	4,016 SF	\$2.30	This site is not within walking distance and requires leasing 2,200 SF more than necessary.
	936 W. Hyde Park Blvd., Inglewood	Industrial	5,600 SF	\$2.22	This site is not within walking distance and requires leasing 2,200 SF more than necessary.
	8320 Isis Ave. Los Angeles	Industrial	10,420 SF	\$1.65	This site is not within walking distance and requires leasing 8,560 SF more than necessary.
	409 Oak St. Inglewood	Industrial	3,900 SF	\$2.00	This site is not within walking distance and requires leasing 2,050 SF more than necessary.
	1031 Manchester Blvd. Inglewood	Industrial	1,490 SF	\$2.00	This site is not within walking distance and requires leasing 8,560 SF more than necessary.



Board Report

File #: 2020-0735, File Type: Informational Report

Agenda Number: 6.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 18, 2020

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 FIRST QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending September 30, 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 Q1 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 September 30, 2020 is as follows:

Performance Audits: Three reports were completed during the first quarter; and 9 projects were in progress.

Contract, Financial and Compliance Audits: Three contract, financial and compliance audits with a total value of \$41 million were completed during the first quarter; and 86 contract, financial and compliance audits were in progress.

Other Audits: One other audit was issued by external CPA firms.

Audit Follow-up and Resolution: Nine recommendations were closed during first quarter.

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 23 OIG recommendations were closed during the reporting period.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

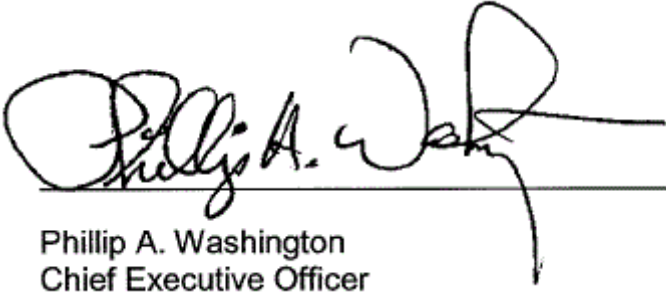
Management Audit Services will submit the Receive and File report for FY 2021 second quarter audit activity in February 2021.

ATTACHMENT

A. Management Audit Services First Quarterly FY 2021 Report

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

Reviewed by: Shalonda Baldwin, Chief Auditor, Interim
(213) 418-3265



Phillip A. Washington
Chief Executive Officer

Quarterly Report to Metro Board of Directors

FY 2021 Quarter 1



Metro

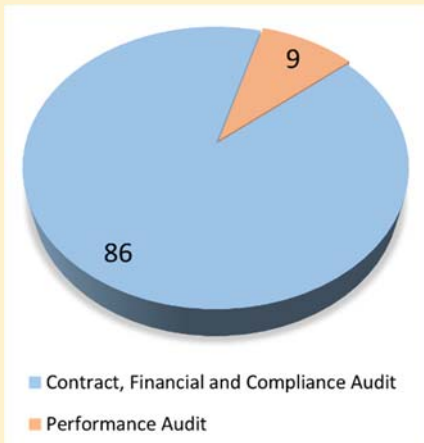
**MANAGEMENT
AUDIT SERVICES**

Table of Contents

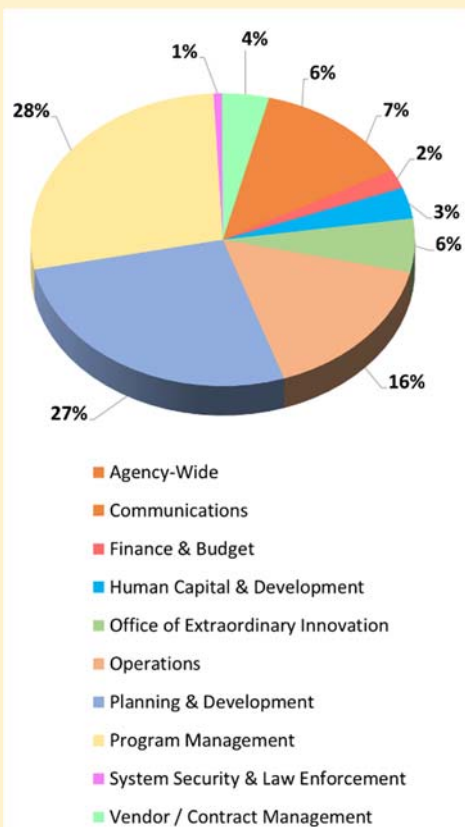
Executive Summary	3
<i>Summary of In Progress Audit Activity</i>	3
<i>Summary of Q1 Completed Audit Activity</i>	3
Performance Audits	4
<i>Performance Audit of Wayside Systems Engineering and Maintenance Training</i>	4
<i>Assessment of Wayside Systems Engineering Maintenance Training</i>	4
<i>Special Review of the CRRC MA Corporation (CRRC) Supply Chain</i>	5
Contract, Financial & Compliance Audits	6
Financial and Compliance Audits of Metro.....	7
Audit Support	8
<i>Audit Follow-Up and Resolution</i>	8
Summary Tables	
Appendix A – Performance Audits in Progress.....	9
Appendix B – Contract, Financial and Compliance Audit Completed.....	10
Appendix C – Open Audit Recommendations.....	11
Appendix D – OIG Open Audit Recommendations.....	18

Executive Summary

In Progress Audit
as of September 30, 2020



Summary of Audit Activity by Department
Reporting Period
July 1, 2020 – September 30, 2020



Summary of In Progress Audit Activity

Management Audit Services (MAS) have 95 in progress projects as of September 30, 2020; which include 9 performance audits and 86 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As the reporting period, there are 58 MAS open audit recommendations. In addition, there are 21 open OIG audit recommendations.

Summary of Q1 Completed Audit Activity

MAS completed 7 projects and closed 32 recommendations. The projects comprised of 3 performance audits; 3 contract, financial and compliance audits; and 1 other audit issued by the 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 5. The financial and compliance audits of Metro issued by the external CPA firms are highlighted on page 6. A summary of closed and open audit recommendations for MAS and OIG are included on page 7.

Performance Audits

This section includes performance audits done 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 Wayside Systems Engineering and Maintenance Training

The audit objectives were to determine whether Wayside Systems documented and tracked existing and newly hired staff's completion of the required training courses (technical, safety/mandated) including required refresher courses; maintained required certification records per position and the records were current; and employees had the appropriate certification for their task assignment.

MAS found that newly hired Signal, Track, and Traction Power inspectors of Wayside Systems Engineering and Maintenance took the required training courses, and that the training curriculum for inspectors included the required technical training courses as outlined in the Preventative Maintenance Plan for Signal, Track, and Traction Power. In addition, we found that employees had the appropriate certificate for their task assignments. However, we found that a formal refresher training program was not in place, some training courses were not completed in a timely manner by employees, and that the supporting documentation for required training courses was not in a central location. In some instances, the supporting documentation was missing, specifically for the Track department. We identified opportunities to improve the training registration process, and the tracking of upcoming training courses, including maintaining all information in one centralized location.

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

Assessment of Wayside Systems Engineering Maintenance Training

MAS contracted with CodeRed Business Solutions Inc. to conduct an assessment of the Wayside Systems Engineering Maintenance. The objectives of the assessment were to review the Wayside Systems Engineering and Maintenance training for Track, Signal and Traction Power and to identify any potential risks to the validity, effectiveness, and quality of such training. This assessment includes five recommendations for three findings and eight recommended actions for eight Business Process Improvements along with a description of the benefits that can be derived if these opportunities are adopted by Wayside Systems Engineering and Maintenance.

Special Review of the CRRC MA Corporation (CRRC) Supply Chain

MAS contracted with Talson Solutions, LLC (Talsol) to conduct a special review of the CRRC MA Corporation (the US subsidiary of China Railway Rolling Stock Corporation Ltd) Supply Chain. The objectives of the special review were to evaluate the completeness and accuracy of CRRC's statements provided to Metro on the non-use or limited use of mica in the carbody section and major systems of Metro's train equipment. Talson also assessed the CRRC California subsidiary's compliance with the California Transparency in Supply Chains Act of 2010. Talson identified two observations and four recommendations to assist Metro in managing CRRC and other suppliers.

Contract, Financial & Compliance Audits

MAS staff completed 3 independent auditor's report on agreed-upon procedures of:

- Skanska Traylor Shea (STS, JV)'s Daily Rate Cost Proposals for Delay Compensation Rates for years 2015 and 2016 under the Westside Subway Extension Project, Section 1 – Design/Build;
- CRRC MA Corporation's Accounting and Billing System Internal Control Review for the Purchase of New Heavy Rail Vehicles; and
- HDR Engineering Inc.'s interim incurred cost for the period April 25, 2014 through December 30, 2017 for the Southern California Regional Interconnector Project.

MAS staff reviewed \$41 million of funds and identified \$1 million or 3% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q1 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 include:

Access Services' Deferred Revenue Support – Issued July 2020

MAS contracted with BCA Watson Rice (BCA) to assist Metro in determining the total unused amount of the Deferred Revenue Support of Access Services (Access), if any, that should be returned to Metro or carried forward into a subsequent year's budget as per the Metro Memorandum of Understanding (MOU) for the fiscal year ended and as of June 30, 2019. BCA determined that the amount to be returned to Metro or available for budgetary needs in subsequent year(s) as stipulated in the MOU as of June 30, 2019 was \$3,711,539.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of September 30, 2020.

MAS and External Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Finance & Budget	3				
Human Capital & Development			5		5
Operations	6	5	8	21	34
Program Management			1		1
Risk, Safety & Asset Management			1	3	4
Systems Security and Law Enforcement			6	3	9
Vendor/Contract Management			4	1	5
Total	9	5	25	28	58

OIG Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Congestion Reduction	8		2		2
Human Capital & Development				10	10
Operations			2	7	9
Systems Security and Law	15				
Total	23		3	18	21

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 September 30, 2020				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Operations	20-OPS-P04 Performance Audit of Contract Compliance for Parkwood Maintenance Contracts	Determine Parkwood's compliance and required performance with contractual terms and conditions for select areas for the period from November 15, 2015 (contract inception) to October 30, 2019.	10/2020
2	Systems Security and Law Enforcement	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 SS&LE for selected positions.	10/2020
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.	11/2020
4	Human Capital & Development	21-HCD-P01 Telecommuting Consulting Project	This engagement will compile information on best practices for this area, and verify selected information already collected by Metro that will inform policy decisions.	11/2020
5	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.	12/2020
6	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.	12/2020
7	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.	1/2021
8	Systems Security and Law Enforcement / Risk, Safety & Asset Management	21-RSA-P02 Performance Audit of COVID Compliance	This audit will determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	1/2021
9	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

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2020				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Program Management	18-CON-A14 - Agreed-Upon Procedures	HDR Engineering, Inc.	8/2020
2	Operations	20-OPS-A01 - Agreed-Upon Procedures	CRRC MA Corporation	9/2020
3	Program Management	20-CON-A01 - Agreed-Upon Procedures	Skanska Traylor Shea	9/2020

Appendix C

Open Audit Recommendations as of September 30, 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>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.</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>Update: Pending completion of recommendation 4a.</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>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</p>	6/30/2020	12/31/2020
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>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</p>	10/30/2020	4/30/2021

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

Appendix C

Open Audit Recommendations as of September 30, 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	4/30/2020	10/31/2020
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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/31/2020	1/31/2021
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. Update: Metro is negotiating Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements.	3/31/2020	11/30/2020
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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	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. Update: Operations' staff prepared a partial LIP retroactive pay calculation; remaining paid calculation is still in progress.	12/31/2019	11/30/2020

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

Appendix C

Open Audit Recommendations as of September 30, 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. Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.	12/31/2019	11/30/2020
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. Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.	12/31/2019	11/30/2020
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. Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.	12/31/2019	11/30/2020
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". Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/31/2020	1/29/2021
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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/31/2020	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 September 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/31/2020	1/29/2021
17	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	9 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of September 2020, 3 of 12 recommendations was closed.	On-going	
18	Operations	19-OPS-P03 Performance Audit of the SCADA Security Controls	11 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of September 2020, 2 of 13 recommendations was closed.	On-going	
19	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	1	We recommend that the Pension and Benefits department management complete the update of their written HR policy to reflect the procedural changes already in effect as of January 1, 2019.	6/30/2020	9/30/2020
20	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	2	We recommend that the Pension and Benefits department management reduce the possibility of human error occurring in the data entry/invoice preparation process for employee benefits by documenting review process procedures in the policy manual for (i) manual entries that are made into the PTSC/MTA and Carrier systems, (ii) monthly reconciliations for billing and (iii) regular periodic audits comparing PTSC/MTA system entries against Carrier systems, being performed.	6/30/2020	9/30/2020
21	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	3	We recommend that the Pension and Benefits department management identify other techniques to further reduce the possibility of human error occurrence.	6/30/2020	9/30/2020
22	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	4	We recommend that the Pension and Benefits department management develop an e-mail template that could be used to inform employees as inquiries are made, about what plan changes are allowable during mid-year, to supplement guidance already provided in the Benefits Enrollment Guides.	6/30/2020	9/30/2020
23	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	5	We recommend that the Pension and Benefits department management develop a written procedure for properly communicating with employees if errors are made on plan change forms. The communication should be properly documented and retained in the employee's file.	6/30/2020	9/30/2020

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

Appendix C

Open Audit Recommendations as of September 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
24	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. Update: Before the COVID-19 pandemic, plans were in place to deploy an elevated campaign on the benefits of a robust FOF program and the importance of compliance. This effort will be re-started as soon as resources are again available.	3/31/2020	9/30/2020
25	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.	7/31/2020	
26	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	
27	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	6	We recommend that the Chief Operations Officer consider using a combination of leading and lagging indicators to evaluate the Accident Prevention Program's success.	7/31/2020	
28	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	7	We recommend that the Chief Operations Officer consider separate measures for avoidable and unavoidable accidents/incidents codes per division to properly evaluate the division's performance instead of measuring the division only on combined avoidable and unavoidable accident data.	7/31/2020	
29	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	8	We recommend that the Chief Risk, Safety & Asset Management Officer formally request the Transportation division management to consider allocating a meaningful and equitable Safety Incentive Budget for the Accident Prevention Program.	7/31/2020	
30	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	1	We recommend that Emergency Management collaborate with SS&LE to establish at least three new locations to accommodate emergency back-up SS&LE command centers. As a suggestion, not more than one facility should be close to Gateway Plaza. The other two should be far enough away from Gateway and from each other that there is little risk that a wide area emergency could affect all three locations. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	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 September 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
31	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	
32	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with SS&LE to create a Standard Operating Procedures template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors; and reference and attach all COOP-related SOPs as Appendices to the COOP. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/30/2020	1/29/2021
33	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	
34	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	
35	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	
36	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	

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Appendix C

Open Audit Recommendations as of September 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
37	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	
38	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	
39	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	
40	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	

Appendix D

OIG Open Audit Recommendations as of September 30, 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	7 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. Update: As of May 2020, 110 of 117 recommendations were closed.	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	
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	

Appendix D

OIG Open Audit Recommendations as of September 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
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	
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	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	9	LA Metro FSP could strengthen its ability to enforce its two-beat limitation policy. We recommend that LA Metro consider including language within the agreements with tow companies that specifically prohibits a company from operating more than two beats or from having a controlling interest in another company that operates FSP tow trucks in LA County. This would include limitations on companies sharing drivers, offices, and other operation functions. This would give LA Metro more legal basis to pursue a fraudulent contractor.	6/1/2020	12/31/2020

Management Audit Services

FY 2021 First Quarter Report

Finance, Budget & Audit Committee
November 18, 2020

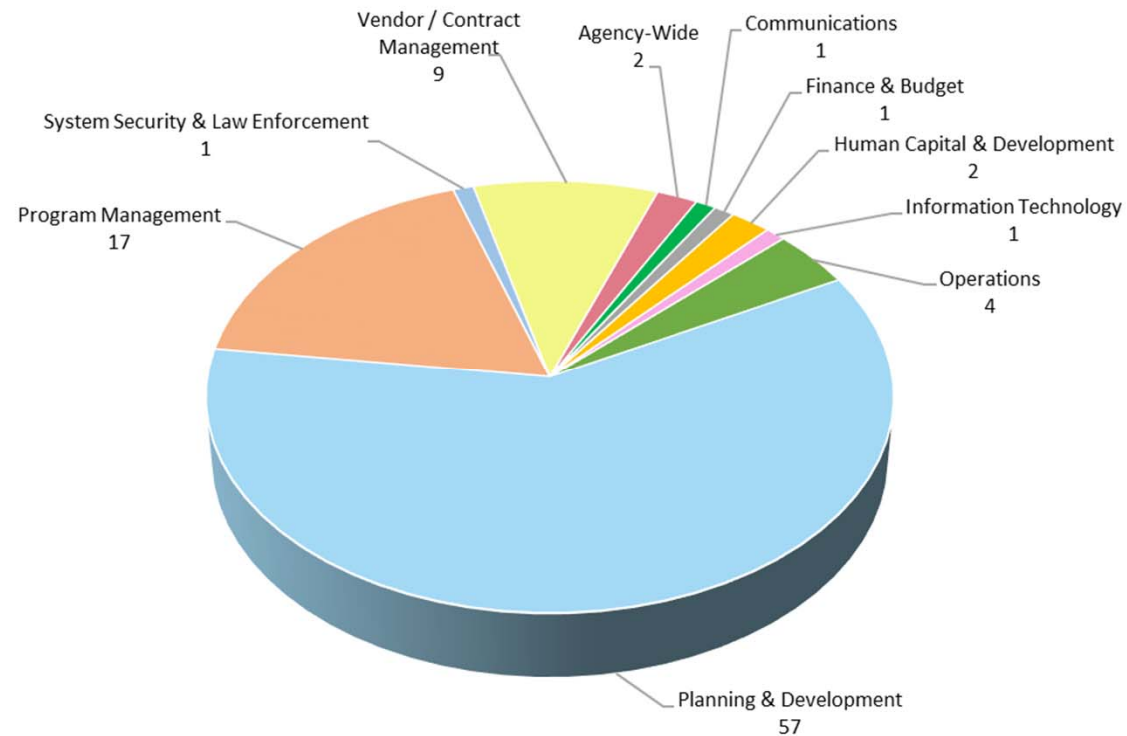


MANAGEMENT
AUDIT SERVICES

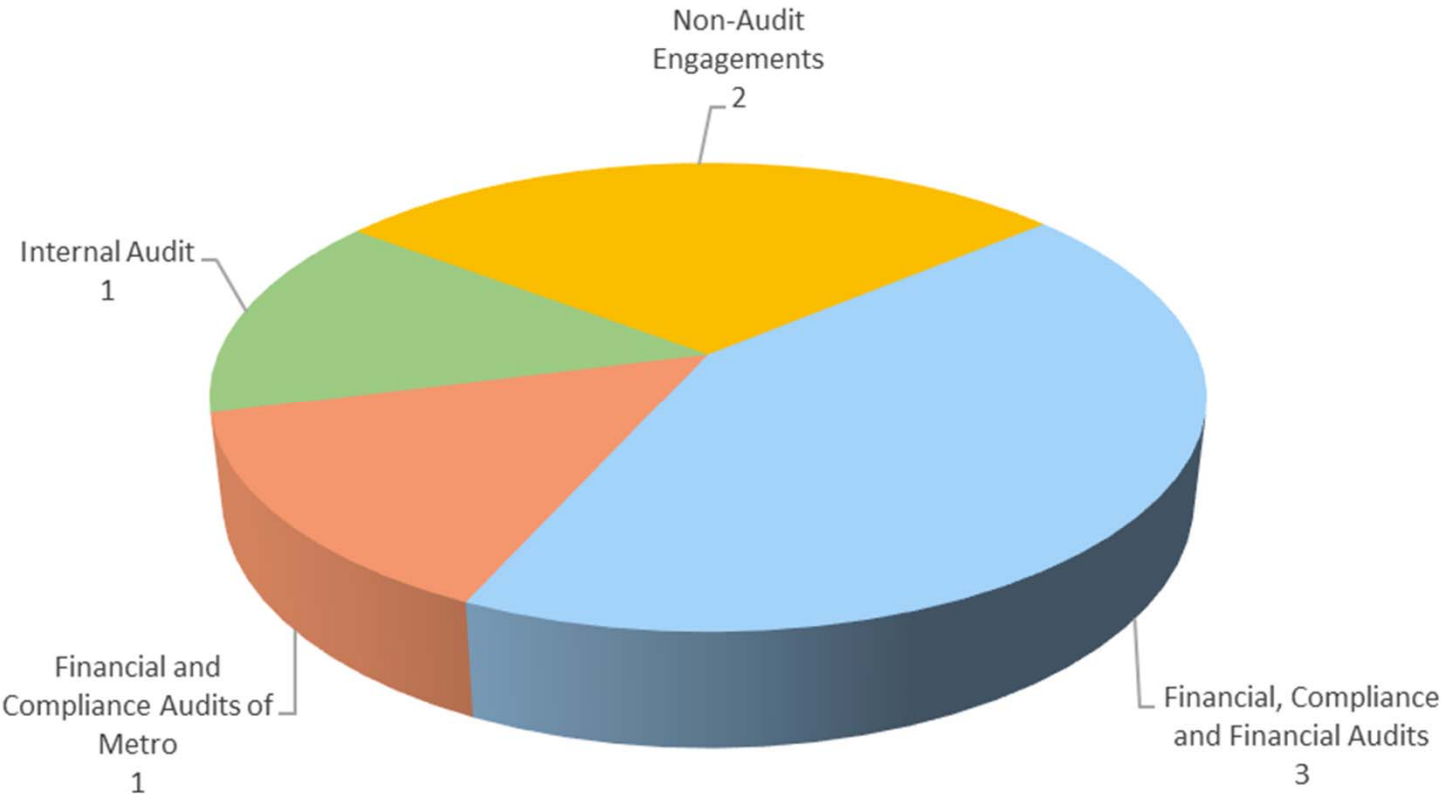
Summary of In Progress Audit Activity

- 95 Audit Engagements
 - 9 Performance Audit
 - 86 Contract, Financial and Compliance Audit

Projects in Support of:



Completed Audit Summary



Completed Performance Audit Summary

- Performance Audit of Wayside Systems Engineering and Maintenance Training
 - *Results:* MAS identified two recommendations
 - *Management concurrence*
- Assessment of Wayside Systems Engineering Maintenance Training
 - *Results:* CodeRed Business Solutions Inc. identified five recommendations and eight business process improvements
- Special Review of the CRRC MA Corporation
 - *Results:* Talson Solutions, LLC identified four recommendations and two observations

Completed Contract, Compliance and Financial Audit Summary

- Contract and Grant Audits:
 - Skanska Traylor Shea's Delay Compensation Rates; CRRC's Accounting and Billing System Internal Control Review; and HDR Engineering Inc.'s Interim Incurred Cost
 - Reviewed \$41 million of funding
 - Identified \$1 million (3%) for reprogramming
- Financial and Compliance Audits of Metro:
 - Access Services' Deferred Revenue Support
 - BCA Watson Rice (BCA) identified \$3,711,539 reprogramming



Thank you



Board Report

File #: 2020-0691, **File Type:** Informational Report

Agenda Number: 7.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
NOVEMBER 18, 2020**

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD JANUARY 1, 2020 TO MARCH 31, 2020

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2020 to March 31, 2020.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2020 to March 31, 2020. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses, such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2020 to March 31, 2020. For this period, miscellaneous expenses totaled \$2,083,186 with 992 transactions. We selected 56 expense transactions totaling \$377,986 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of January 1, 2020 to March 31, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for seven of the expenses reviewed, requirements were not followed regarding the compliance with policies on purchase cards, travel and business expenses, and business meals. Some accounts were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the involved staff.

As stated in our previous report on the audit of miscellaneous expenses for the period October to December 2019, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. Because of the current financial situation, we recommend that miscellaneous expenses be strictly controlled to identify cost saving opportunities and eliminate unnecessary expenses.

Recommendations

Our recommendations include:

1. Requiring staff to attend Travel Business Expense Reimbursement and reservation training before travelling and be familiar with Metro's travel policy FIN14.
2. Comply with the Travel and Business Expense policy, even for travel funded by a non-company source and evaluate the need to renew memberships at this time consistent with OMB pandemic restrictions.
3. Continue to remind staff to submit the Purchase Card log and Electronic Travel reports on time.
4. Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
5. Work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs..
6. Remind staff to perform a detailed review of Travel and Business Expenses and supporting documents to ensure reports are accurate, complete, and within applicable policies.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute in minor respects to cost savings and controls.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2020 to March 31, 2020 (Report No. 21-AUD-01)

Prepared by: Asuncion Dimaculangan, Senior Auditor (213) 244-7311
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**

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Report No. 21-AUD-01

October 23, 2020



TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT	1
BACKGROUND	2
RESULTS OF AUDIT	2
1. Purchase Card Logs Submitted Late.....	3
2. Non-Compliance with Travel and Business Expense Policy	3
3. Insufficient Documentation on Business Meals Expenses.....	6
4. Observation on Various Miscellaneous Expenses.....	7
CONCLUSION.....	8
RECOMMENDATIONS.....	8
MANAGEMENT COMMENTS TO RECOMMENDATIONS	9
OIG EVALUATION OF MANAGEMENT RESPONSE	10
ATTACHMENTS	
A. Summary of Sampled Expenses Audited	11
B. Management Comments to Draft Report.....	12
C. Final Report Distribution	20



Metro

DATE: October 23, 2020

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
From January 1, 2020 to March 31, 2020 (Report No. 21-AUD-01)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2020 to March 31, 2020. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses, such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on seven of the 56 expenses reviewed:

- Purchase card logs submitted late
- Non-compliance with Travel and Business Expense Policy
- Insufficient documentation on business meals expenses

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures.
- Expenses had proper approval, receipts, and other supporting documentation.
- Policies and procedures were adequate and followed to ensure that expenses were documented and properly accounted for.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General **Report No. 21-AUD-01**

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Communications, Human Capital and Development, Vendor Contract Management, Office of Board Secretary, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2020 to March 31, 2020. For this period, miscellaneous expenses totaled \$2,083,186¹ with 992 transactions. We selected 56 expense transactions totaling \$377,986 for detail testing. Thirty-one of the expense transactions were randomly selected, 3 were selected due to their large dollar amounts, 8 were selected to add more samples to other accounts and the remaining 14 were judgmentally selected for an expanded review of Business Meals (Account 50903), which was the focus of this quarter's review. As a result, we examined 17 business meals expenses with a total amount of \$24,950 out of 56 samples mentioned above. See Attachment A for details.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues on the following seven transactions.

¹ This total does not include transactions that were \$200 or less, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

1. Purchase Card Logs Submitted Late

- a. The P-Cardholder of Systemwide Design & Art Program submitted the Purchase Card (P-Card) log for \$5,960.10 for December 2019 to the Approving Official on February 7, 2020 and to the Accounting Department on February 10, 2020. The P-Card log should have been submitted to the approver on January 5, 2020 and to the Accounting Department on January 15, 2020.

According to the P-Cardholder, who is the Project Manager, Transit Asset Management, the log was submitted late because she got busy when they moved offices in January 2020.

- b. The P-Cardholder for the Office of Board Secretary submitted the credit card statement for February 2020 for P-Card purchases on February 28, 2020. This was approved online by the Board Secretary on March 30, 2020. However, the P-Cardholder did not submit the P-Card Log for \$5,157.38 until May 4, 2020, which was almost two months late.

2. Non-compliance with Travel and Business Expense Policy

- a. Fiscal Year 2019 Travel Expense Recorded in Fiscal Year 2020 Due to Late Submission of Report

Our review found that Citibank travel credit card charges for the month of June 2019 in the amount of \$74,752.23 were expensed in March 2020.

The Accounting Department records all payments to Citibank as a prepayment first and then records the expense when it receives the travel distribution report from the Travel Program Administrator (TPA) charging them to various cost centers. However, for this particular statement, the TPA submitted the report to Accounting in March 2020 – nine months later.

The TPA explained that since expense reports are submitted 30 days after the travel, it becomes difficult to retrieve invoices for prepaid hotel and car rental receipts to complete the reconciliation. This pushes back the submittal if there are missing invoices.

The TPA added that they have improved the process and are getting caught up this year with the slowing down of travel, as they currently have more time to call the hotels and obtain the receipts themselves. They are also working on implementing a new system with Concur, so that they can prepay the hotels directly and not wait for the invoices from the employees.

It is important that reports are submitted on time, especially if the expense pertains to a different fiscal year as it may negatively impact the budget in the fiscal year the expense was processed.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

b. Employee Reimbursed for an Unnecessary Extra Day at the Hotel

The Senior Engineer at Rail Maintenance of Way Engineering attended a conference in Florida from January 28 to January 31, 2020. The conference ended in the morning of January 31, 2020 and the employee should have checked out from the hotel on the same day. However, his TBE report with a reimbursable amount of \$1,047.08 showed a hotel charge of \$170.24 on January 31, 2020; thus, he was over reimbursed by Metro for the said amount.

Section 1.1.15 of the Travel and Business Expense policy (FIN 14) states that *“if traveler’s meeting, training, or seminar adjourns by 2:00 pm, traveler is expected to depart for Los Angeles the same day since no overnight lodging will be authorized.”*

The employee explained that he was not aware of the policy. Employees should be counseled to read FIN14 prior to traveling for Metro.

The Travel Program Administrator should review the details and charges on the TBE Report to ensure that expenses are properly and accurately reported.

Section 1.2.1 of the Travel & Business Expense Policy FIN 14 states: *“The Travel Program Administrator will verify completeness of documentation and accuracy of calculation, and then forward the TBE Report to Accounting for processing.”*

The employee was asked to pay the cost of the extra day at the hotel for \$170.24. The payment was made on July 21, 2020.

c. Travel and Business Expense Report Submitted Late

The Senior Bus Equipment Maintenance Instructor at Bus Maintenance – Central Instruction attended a conference in San Francisco from September 26 to 27, 2019. However, he submitted the TBE report for \$1,151.53 with reimbursable expenses of \$932.92 on January 6, 2020, which was almost three months late. The report was due in October 2019.

The employee explained that he prepared the report on time through the online Electronic travel System but did not realize that he only saved it and did not actually submit the report. When he had not received the reimbursement after several months, he identified the error that he made and later corrected it.

Section 1.2.1 of the Travel & Business Expense Policy (FIN 14) states: *“The TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

It is important that TBE reports are submitted on time in order for the expense to be recorded in the proper accounting period. Management should continue to encourage employees to attend the training on TBE and remind them of Metro’s travel policy.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

The Travel coordinator should consult with the Information Technology Services department to implement a notification to travelers if they did not complete their on-line TBE report to ensure TBE reports are filled out, completed and submitted promptly.

d. Travel Funded by a Non-Company Source Not Made in Accordance with Travel and Business Expense Policy

In March 2017, Metro entered into a three-year agreement with Transportation Learning Center (Center) as a member of the National Signals Training Consortium whose membership includes public transportation and railroad agencies, as well as certain associated union organizations. The Center provides certain services and creates certain products regarding rail signals maintenance training. Members can avail themselves of one-on-one Train the Trainer, technical assistance and other resources from the Center. The initial membership period commenced on January 1, 2018 and ends on December 31, 2020, with the option to renew. The annual membership fee is \$18,500 and Metro paid its third annual fee in January 2020.

In the course of our review of the said payment, we found that employees at Wayside Systems Signal Maintenance attended out-of-state training conducted by the Center in 2018 and 2019 without complying with the Travel and Business Expense Policy (FIN 14).

In October 2018, the Director, Wayside Systems, attended the five-day training in Colorado and in October of the following year, the Sr. Rail EMI, Signals attended the five-day training in Pennsylvania. However, both travels were not made in accordance with Metro's travel policy. They did not inform the Travel Department and did not submit the Travel Authorization form.

The Travel and Business Expense Policy (FIN 14) requires *“for audit purposes, the TA form must be completed and approved by the Executive Officer (EO) for all travel, even travel that is funded by a non-company source.”*

The Director, Wayside Systems, explained that they were not aware of the requirement to submit the Travel Authorization since the travel was paid by the Signal Consortium. Both employees were reimbursed directly by the Consortium for their travel expenses. On May 26, 2020, the Director, Wayside Systems, submitted a memo from the DEO, Wayside Systems Engineering and Maintenance, which indicated his supervisor's approval to attend the training in Colorado in October 2018. The Director approved the training attended by the Sr. Rail EMI, Signals in October 2019.

It is important that employees comply with FIN 14 to document all official travels, whether paid for by Metro or not. Travel expenses paid for by an organization other than Metro is subject to review by Metro's Ethics Department to ensure compliance with Metro's Employee Code of Conduct. If a Metro employee receives a benefit from a vendor who may influence a business decision, a violation of the Code of Conduct or Political Reform Act might occur. The expense may need to be reported on the employee's Form 700 and have other impacts.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

We further recommend that the Department evaluate if there is a need to renew its membership with the Consortium, which is expiring in December of this year and make a cost-benefit analysis, taking into consideration of the current financial situation of the Agency.

3. Insufficient Documentation on Business Meals Expenses

For this quarter from January 1, 2020 to March 31, 2020, we performed an expanded review of Business Meals expenses². The total Business Meals expense for the quarter was \$46,842, from which we sampled 17 transactions in the amount of \$24,950 and examined the supporting documents.

The following is the summary of Business Meals expenses by Cost Center from January 1, 2020 to March 31, 2020:

<u>Cost Center</u>	<u>Business Meals</u>	
	<u>Total Amount</u>	<u>Sample Amount</u>
Board Office	\$ 8,417	\$ 6,737
Human Capital and Development	4,433	2,866
Corporate Safety	3,809	1,934
Marketing	3,729	3,729
Office of Civil Rights	2,587	1,987
Office of Extraordinary Innovation	2,002	793
Talent Development	1,996	338
Public Relations	1,914	972
System Security & Law Enforcement	1,564	1,323
General Services Administration	1,433	1,433
Community Relations	1,373	1,128
Bus Maintenance - Division 7	1,372	1,072
Other Cost Centers with less than \$1,100	12,213	638
Total	\$ 46,842	\$ 24,950

Our review of Business Meals expenses found no significant issues except for the following transaction:

Our sample included business meals incurred by the Board Office for Purchase Card statements dated 12/23/2019 (\$2,115.43) and 2/24/2020 (\$5,137.38). We noted that purchases of meals using a P-Card did not include details such as nature of meeting, number of attendees, and other information as required by the Accounting Procedures and Guidelines for Check Request (ACC-01).

² Note that during the Covid-19 era, any expenses for meals may be disallowed.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

Section 1.1.1(aa) of ACC-01 requires that that business meals for events and business meetings *“must be accompanied with receipts, account coding and a detailed justification memo signed by the responsible department which documents attendees, name and title, affiliation, subject discussed, purpose and benefit to LACMTA.”*

Upon our request, the P-Cardholder provided the nature of meetings and number of attendees for each meeting. We calculated the average per person cost of a meal. The per person cost ranged from \$6 to \$22.

In comparison, the U.S. General Services Administration published a per diem rate of \$17 for lunch for employees on business travels and this rate is being used in Metro’s Travel and Business Expense policy (FIN 14). Some of the costs per person exceeded the published GSA rate. Currently, there is no official standard rate or maximum amount set by Metro for business meals during meetings.

It is important to include pertinent information, as required by ACC-01 to determine that the business meals incurred were reasonable and justifiable. A clearly-defined policy could be formulated for meals during business meetings that sets a maximum per person rate. Since the GSA rate includes payment of a tip and in office buffet style meals would not likely include a tip, it might result in a lower than GSA rate. Local cost rates should be considered and a policy limit or guidelines should be established.

OBSERVATION:

In the course of our audit, we observed the following:

- a. **Professional membership paid prior to Training & Development approval.** Rail Maintenance of Way Engineering paid a professional membership³ for one of its employees in the amounts of \$175 and \$316 through the Purchase Card, without securing first the approval of Training & Development, as required by the policy.
- b. **Some transactions recorded to incorrect accounts.**
 - Professional membership recorded to miscellaneous (Rail Maintenance of Way Engineering);
 - Seminar recorded as miscellaneous (Workforce Services); and
 - Professional services recorded as fringe benefit – training (Central Oversight and Analysis Department);

We brought these transactions to the attention of Accounting and the concerned departments and they were promptly corrected.

³ Note that during the Covid-19 era, any payments for professional membership may be disallowed unless required by the Agency as a job requirement.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

- c. **Checks for business meals prepared but events were cancelled.** The Talent Development Department prepared check requests for \$337.70 each for its bi-monthly onboarding sessions for new employees scheduled on March 23 and April 6, 2020. However, these sessions were cancelled due to COVID-19 pandemic. Talent Development did not advise Accounting to cancel the checks. As soon as we brought this to their attention, they voided the checks.

- d. **Specific vendor used to cater to the Agency's events and meetings.** As directed by management, Metro uses the cafeteria located inside Union Station for most of its meetings. While purchasing from this vendor offers convenience and support our inhouse vendor meet expenses to stay at hour facility, we believe that their beverages such as bottled water and soda cans are priced much higher (\$1.25 for each bottled water and \$1.50 for each soda can) than when purchased from supermarket or big box stores. For example, a 32-bottle case of water bottles can be bought at Walmart for \$3.98.

With the Agency's current financial circumstances due to the COVID-19 pandemic, management and staff must be conscious in all purchases and ensure that they are made in the most cost-effective manner. Grocery delivery services are currently more available than before. The Agency might want to consider allowing water bottles to be purchased by a more economical source.

CONCLUSION

The miscellaneous expenses we reviewed for the period of January 1, 2020 to March 31, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for seven of the expenses reviewed, requirements were not followed regarding the compliance with policies on purchase cards, travel and business expenses, and business meals. Some accounts were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the involved staff.

As stated in our previous report on the audit of miscellaneous expenses for the period October to December 2019, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. Because of the current financial situation, we recommend that miscellaneous expenses be strictly controlled to identify cost saving opportunities and eliminate unnecessary expenses.

RECOMMENDATIONS

We recommend that:

Operations:

1. Rail Maintenance of Way Engineering and Bus Maintenance – Central Instruction: remind staff to submit TBE Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN14.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

2. Wayside System Signal Maintenance staff and supervisors: comply with the Travel and Business Expense policy, even for travels funded by a non-company source and evaluate the need to renew membership with the Signal Consortium.

Office of Board Secretary:

3. Remind the P-Cardholder to submit the Purchase Card log on time.
4. Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
5. Work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.

Human Capital and Development:

6. Instruct the Travel Program Administrator to submit travel distribution reports on time so expenses can be recorded in the proper accounting period.
7. Work with Metro's ITS department to assist travelers, who use the on-line Electronic Travel system to submit their TBE and notify them of incomplete and unsubmitted TBE reports.
8. Remind the Travel Program Administrator to perform a detailed review of Travel and Business Expenses and supporting documents to ensure reports are accurate, complete, and within applicable policies.

Communications:

9. Systemwide Design and Art Program: ensure that P-Card logs are submitted on time and in compliance with the P-Card policy.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On October 2, 2020, we provided Metro Management a draft report. On October 23, 2020, the management completed their responses that summarized their corrective actions, as shown in Attachment B.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
January 1, 2020 to March 31, 2020**

Office of the Inspector General

Report No. 21-AUD-01

OIG EVALUATION OF MANAGEMENT RESPONSE

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

**Summary of Sampled Expenses Audited
For the Period from January 1, 2020 to March 31, 2020**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 78,972	\$ 64,876
50903	Business Meals	46,842	24,950
50905	Corporate Membership	152,433	84,000
50908	Employee Relocation	0	0
50910	ER Mileage / Parking	4,369	0
50912	Professional Membership	32,656	5,785
50914	Schedule Checkers	2,174	0
50915	Seminar and Conference Fee	130,014	13,343
50917	Business Travel	345,006	5,771
50918	Advertising	926,059	106,580
50930	Employee Activities and Recreation	23,002	22,667
50999	Other Miscellaneous Expenses	<u>341,659</u>	<u>50,014</u>
	Total	<u>\$2,083,186</u>	<u>\$ 377,986</u>

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 21, 2020
To	Karen Gorman Inspector General
From	James T. Gallagher <i>JTG</i> Chief Operations Officer
Subject	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 21- AUD-01)

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from January 2020 - March 2020 in the Bus Maintenance and Maintenance & Engineering departments within Operations. The report includes the following recommendations:

1. Rail Maintenance of Way (MOW) Engineering and Bus Maintenance – Central Instruction: Remind staff to submit Travel & Business Expense (TBE) Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN14.

Response: Agree; Sr. Bus Equipment Maintenance Instructor, submitted his TBE report 3 months late due to an oversight in the use of the automated on-line TBE report management system. This employee has read the attached OIG audit report (see attachment A), has been re-issued the travel policy FIN 14, and has been advised of his responsibility to adhere to all aspects of the policy for travel & business funded by Metro and/or other external agencies such as the Transportation Learning Center. Further, the employee has been advised to attend the next scheduled training class for the use and application of the FIN 14 policy.

2. Wayside System Signal Maintenance staff and supervisors: comply with the Travel and Business Expense policy, even for travels funded by a non-company source and evaluate the need to renew membership with the Signal Consortium.

Response: Agree; All Maintenance & Engineering non-contract personnel, including their supervisors, will be provided Metro's travel policy FIN14 and will be required to acknowledge receipt and full understanding of the policy, even for travels funded by a non-company source. Also, staff will continue to evaluate the need to renew membership as necessary, ensure that they obtain the approval of Training & Development first, as required by Metro's policy, and charge approved memberships to the correct accounts.

CC: Yvonne Zheng, Sr. Mgr., Audit
Alex DiNuzzo, Sr. EO, Bus Maintenance
Errol Taylor, Sr. EO, Maintenance & Engineering

Management Comments to Draft Report

Daniel Ramirez, Service Operations Superintendent
Diane Corral-Lopez, EO, Operations Administration
Theresa Arslanian, Manager, Transportation Planning
Nancy Alberto-Saravia, Director, Finance & Administration

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 19, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Michele Jackson, Board Secretary
Subject	Draft Report: Audit of Metro Miscellaneous Expenses From January 1, 2020 to March 31, 2020 (Report No.21-AUD-01)

OVERVIEW

The results of the audit have been reviewed and concur with the recommendations.

Corrective actions must be taken to ensure that Metro policies are followed concerning timely submission of Purchase Card logs and sufficient documentation is properly logged for all business meals expenses.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. Remind the P-Cardholder to submit the Purchase Card log on time.

Management Response: Agree

The Board Secretary will ensure that the P-Cardholder submit the Purchase Card log on time every month.

2. Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.

Management Response: Agree

The Board Secretary will work with the P-Cardholder to evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.

Management Comments to Draft Report

3. Work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.

The Audit/Accounting recommendations are sound in principal; however, all meal recommendations and locations are made by the rotating Chair at the time. This office does not govern or set parameters regarding meal allocation for any Board related meetings. We recommend using a two-year average per meal for Accounting purposes.


Should you have any questions regarding the response to this report, please feel free to contact me.

Management Comments to Draft Report



Metro

Interoffice Memo

*	Date	October 19, 2020
	To	Yvonne Zheng Senior Manager, Audit Office of Inspector General
	From	Joanne Peterson  Chief Human Capital & Development Officer
	Subject	Response to Draft Report: Audit of Miscellaneous Expenses from January 1, 2020 to March 31, 2020 (Report No. 21-AUD-01)

OVERVIEW

We have reviewed the results of the Office of the Inspector General (OIG) draft report on Audit of Miscellaneous Expenses. The purpose of the audit was to determine whether:

- 1) expenses were proper, reasonable, and in compliance with Metro policies and procedures;
- 2) expenses had proper approval, receipts, and other supporting documentation; and
- 3) policies and procedures were adequate and followed to ensure that expenses were documented and properly accounted for.

RECOMMENDATIONS (BOLD) AND PROPOSED CORRECTIVE ACTIONS

- 1. Instruct the Travel Program Administrator to submit travel distribution reports on time so expenses can be recorded in the proper accounting period.**

In response to recommendation 1, the Travel Program Administrator agrees to submit travel distribution reports on time so that expenses can be recorded in the proper accounting period. On-time is defined as, reconciliation of credit card statements to Accounting within the next 30-day period from the billing month received. Travel distribution report became current in April-2020. Delays in reconciliation reports have been due to missing receipts that are obtained when a traveler submits a TBE report.

- 2. Work with Metro's ITS department to assist travelers who use the online Electronic Travel system to submit their TBE and notify them of incomplete and unsubmitted TBE reports.**

In response to recommendation 2, the Travel Program Administrator agrees to continue to work with Metro's ITS department to assist travelers who use the online

Management Comments to Draft Report

Electronic Travel system to submit their TBE and notify them of incomplete and unsubmitted TBE reports. Notification reminders to approvers and travelers of pending travel authorizations and travel expense reports were implemented in October-2019. Reminder notifications are sent on the 3rd day of submission and then sent three times on alternate days, with a final one with a notice saying "Final" reminder to have action completed. Manual process via email to notify travelers of unsubmitted expense reports was initiated during the 2nd quarter of 2020. Will submit a Service Request to ITS to implement an electronic notification process for unsubmitted TBE reports to be sent to travelers. Service request will request a completed by December 31, 2020 however, development and implementation will be dependent on IT workload.

- 3. Remind the Travel Program Administrator to perform a detailed review of Travel and Business Expenses and supporting documents to ensure reports are accurate, complete, and within applicable policies.**


In response to recommendation 3, the Travel Program Administrator agrees to perform a detailed review of Travel and Business Expenses and supporting documents to ensure reports are accurate, complete, and within applicable policies. A review is conducted within 10 business days of the traveler submitting an expense report. With no existing backlog of expense reports since April-2020, a detailed review of an expense report is conducted as it is received. The average review period in April was 2 days per TBE report.

cc: Steve Jaffe
Yolanda Limon
Maria Conchita Banuelos

Management Comments to Draft Report


Metro

Interoffice Memo

Date	October 19, 2020
To	Yvonne Zheng Senior Manager, Audit Office of Inspector General
From	Joanne Peterson  Chief Human Capital & Development Officer
Subject	Audit of Metro Miscellaneous Expenses from January 1, 2020 to March 31, 2020 (Report No. 21- AUD-01)

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the quarterly Audit of Metro Miscellaneous Expenses from January 1, 2020 to March 31, 2020 (Report No. 21-AUD-01). Although, our response is in regard to an Observation and not a Recommendation we still feel it is important to address.

Observation

Checks for business meal prepared but events were cancelled. The Talent Development Department prepared check request for \$337.70 each for its bi-monthly onboarding sessions for new employees scheduled on March 23 and April 6, 2020. However, these sessions were cancelled due to the COVID 19 Pandemic. Talent Development did not advise Accounting to cancel the checks. As soon as we brought this to their attention, they voided the checks.

Response

As mentioned above, once the issue was brought to Talent Development's attention the checks were voided. Going forward, now that Talent Development is aware of and understands the procedures and process; they will contact Accounting, in a timely manner, to cancel any payments not needed.

cc: Patrice McElroy, Executive Officer, Talent Management

X 


Management Comments to Draft Report



Metro

Interoffice Memo



Date	October 22, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of Inspector General
From	Yvette Rapose Chief Communications Officer 
Subject	Audit of Miscellaneous Expenses January to March 2020 (21-AUD-01)

OVERVIEW

We have reviewed the results of the subject audit report and concur with the recommendation in the report.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

Communications:

Systemwide Design and Art Program: ensure that P-Card logs are submitted on time and in compliance with the P-Card policy.

Management Response: Agree. Staff will work to ensure that P-Card logs are submitted on time and in compliance with the P-Card policy.

Final Report Distribution

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