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Agenda - Final

Wednesday, August 19, 2020

1:30 PM

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Los Angeles, CA 90012

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

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES
(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

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

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

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

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

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

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

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

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CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 5, 6, 7, 8, and 9.

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

CONSENT CALENDAR

- 5. SUBJECT: SALE OF EASEMENTS - SOUTHWEST YARD** [2020-0483](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (“CEO”) to execute documents to sell various permanent and temporary easements (“Easements”) as described in Exhibit A in a portion of the Southwest Yard Maintenance Facility located at 5623 - 5698 West Arbor Vitae Street to the City of Los Angeles World Airport (“LAWA”) for the amount of **Six Hundred Fifty-Six Thousand and Ninety-One Dollars (\$656,091.00)**.

Attachments: [Exhibit A- Site Plan](#)

- 6. SUBJECT: SALE OF SURPLUS PROPERTY** [2020-0455](#)

RECOMMENDATION

DECLARING that a portion of 6111 Wilshire Boulevard (shown in Attachment A) is not necessary for use by LACMTA and is “exempt surplus land” as defined in Section 54221(f)(1) (C) of the California Surplus Land Act (the “Act”).

Attachments: [Attachment A- Site Plan for 6111 Wilshire Boulevard](#)

- 7. SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTIONS** [2020-0477](#)

RECOMMENDATION

APPROVE:

- A. Richard Stanger, the recommended nominee for area of expertise C, Transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices; and
- B. Gregory Amparano, the recommended nominee for area of expertise

Bench, with the contractors recommended in Attachment A-1 for a five-year base period in the amount of \$34,500,000, with two, one-year options, for \$3,500,000 and \$2,064,500, respectively, with a funding amount not to exceed cumulative total of \$40,064,500, subject to resolution of protest(s) if any.

B. AWARD Task Orders within the approved not-to-exceed cumulative total value of \$34,500,000.

Attachments: [Attachment A - Procurement Summary](#)
[Attachment A-1 - Recommended Firms by Discipline](#)
[Attachment B - DEOD Summary](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2020-0533](#)

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 #: 2020-0483, **File Type:** Policy**Agenda Number:** 5.

**FINANCE, BUDGET AND AUDIT COMMITTEE MEETING
AUGUST 19, 2020****SUBJECT: SALE OF EASEMENTS - SOUTHWEST YARD****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (“CEO”) to execute documents to sell various permanent and temporary easements (“Easements”) as described in Exhibit A in a portion of the Southwest Yard Maintenance Facility located at 5623 - 5698 West Arbor Vitae Street to the City of Los Angeles World Airport (“LAWA”) for the amount of **Six Hundred Fifty-Six Thousand and Ninety-One Dollars (\$656,091.00)**.

ISSUE

LAWA is planning, designing and constructing the Landside Access Modernization Program (“LAMP”) which includes the Automated People Mover (APM) system (including the train, guideway, stations and other related improvements) to improve access to Los Angeles International Airport (“Airport”). LACMTA is planning, designing and constructing the Airport Metro Connector/96th Street Transit Station (“AMC Station”) that will include an at-grade light rail station that is served by the Crenshaw/LAX Light Rail Project. Because LAWA and LACMTA are undertaking parallel construction activities for the LAMP and the AMC Station (collectively, “Projects”) and because the Projects will be built in close proximity and during the same time period, there is collaboration and coordination with respect to the design and construction of the LAMP and the AMC Station. Board approval is required since the action is for the sale of property interests in real property which exceeds the authority of the CEO.

DISCUSSION

The required Easements (see Exhibit A) will be utilized for the construction and operation of the APM elevated rail structure which will bisect the southerly portion of the Southwest Yard Maintenance Facility (“SW Yard”) as well as the adjacent Crenshaw LAX railroad corridor. LAWA and LACMTA entered into a Master Cooperative Agreement dated February 6, 2017 (“Master Agreement”). Section 3 of the Master Agreement described the process by which the Parties would determine the compensation that LAWA would pay LACMTA for the acquisition of property interests in LACMTA-owned property for the construction of the LAMP projects.

Pursuant to the Master Agreement, LAWA retained the appraisal firm of John P. Laurain, MAI, ASA of R. P. Laurain & Associates. Mr. Laurain appraised the Property as of February 27, 2020. Mr. Laurain submitted an appraisal which was reviewed internally by LACMTA Principal Real Estate Officer Russel Babbitz, MAI, SRA. As permitted by the Master Agreement, Mr. Babbitz reviewed Mr. Laurain's appraisal and determined that the appraisal methodology utilized by Mr. Laurain was appropriate and concurred with the valuation.

Easement Descriptions

Southwest Yard Parcel - Assessor Parcel No. 4125-020-900 to 907, 4125-021-900 and 903; Easement Parcel 4-3/4-4 - an Aerial Easement containing 14,942 square feet inclusive of 236 square feet of surface column area and a Setback Area for Vertical Structures containing 3,223 square feet. The SW Yard will also be impacted by TCE Area 1A containing 49,580 square feet, TCE Area 1B containing 14,500 square feet and an ingress/egress area containing 25,640 square feet. The TCE areas have two different terms which include 13.3 months for Phases 1 to 3 of the project and an additional 21 months for Phase 4 of the Project.

Rail Corridor Parcel Assessor Parcel No. 4125-026-900; Parcel No 4-5 - Aerial Easement containing 5,930 square feet as a transverse crossing. The property will also be impacted by TCE 2 containing 19,920 square feet of land.

The appraisal reports concluded that the aerial easements will not have measurable impact on the highest and best use of either the SW Yard parcel, as a special use public property, or the Railroad Corridor parcel. Therefore, compensation for the permanent aerial easements were considered to be a "nominal" amount of \$2,500, as applied to each of the three areas of Parcel 4-3/4-4 and to Parcel 4-5, for a total "Nominal consideration of \$10,000. No improvements will be impacted. Compensation for the TCE's was based on the land rental value and totals \$646,091 for the total duration of the TCE's. Total compensation for the Easements is \$656,091.

EQUITY PLATFORM

Both the LAMP and the AMC projects will bring valuable transit connections to those working and travelling at LAWA.

FINANCIAL IMPACT

Pursuant to May 2020 Board Motion 38.1, the revenue generated from LAWA acquisition of property and easements will be used to fund immediate Life of Project budget needs on the Crenshaw/LAX project.

Impact to Budget

There is no impact to the budget as the income received from the sale will be credited to the Crenshaw/LAX Project and used to offset Project costs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

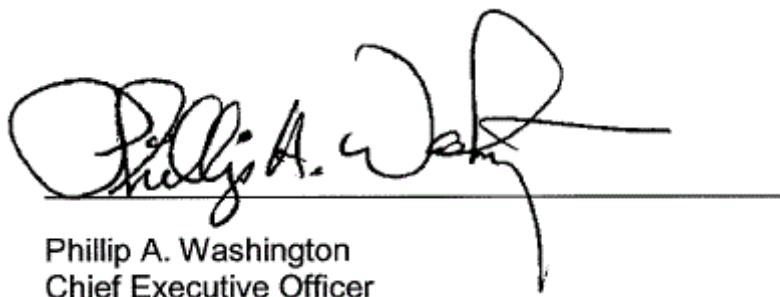
The recommended Board action is consistent with Metro Vision 2028 Goal #1: Provide high quality mobility options that enable people to spend less time traveling. The disposition of this property to LAWA to construct the APM elevated rail structure will facilitate an additional mobility option to LAWA.

ATTACHMENTS

Exhibit A- Site Plan

Prepared by: Velma C. Marshall, Deputy Executive Officer - Real Estate (213) 922-2415
Holly Rockwell, Senior Executive Officer - Real Estate, Transit-Oriented Communities
and Transportation Demand Management, (213) 922-5585

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

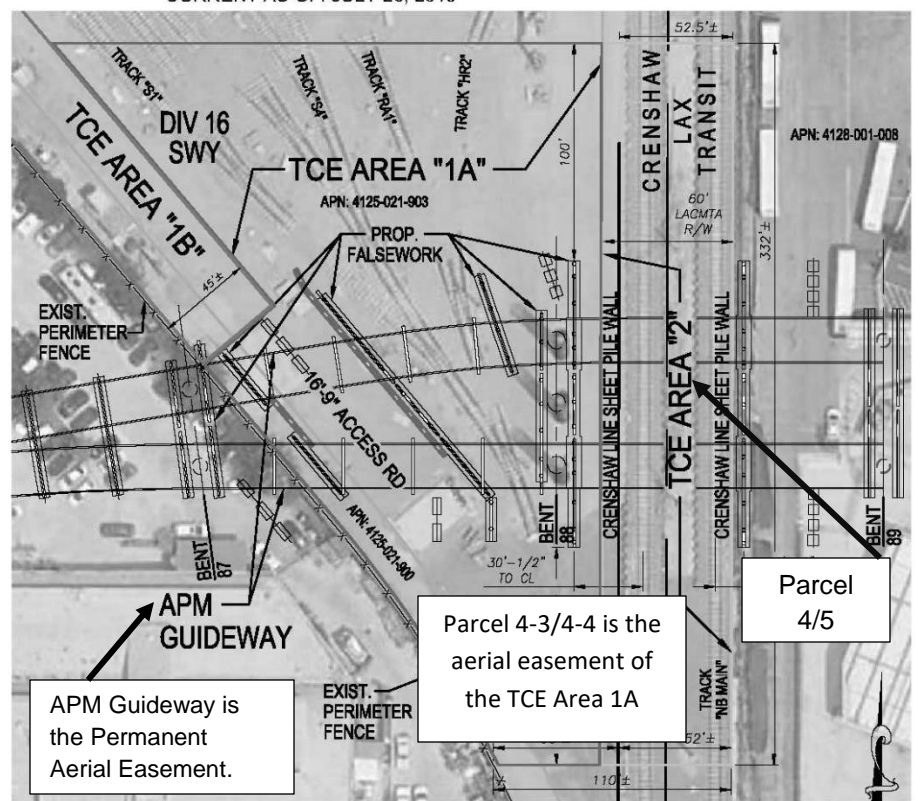
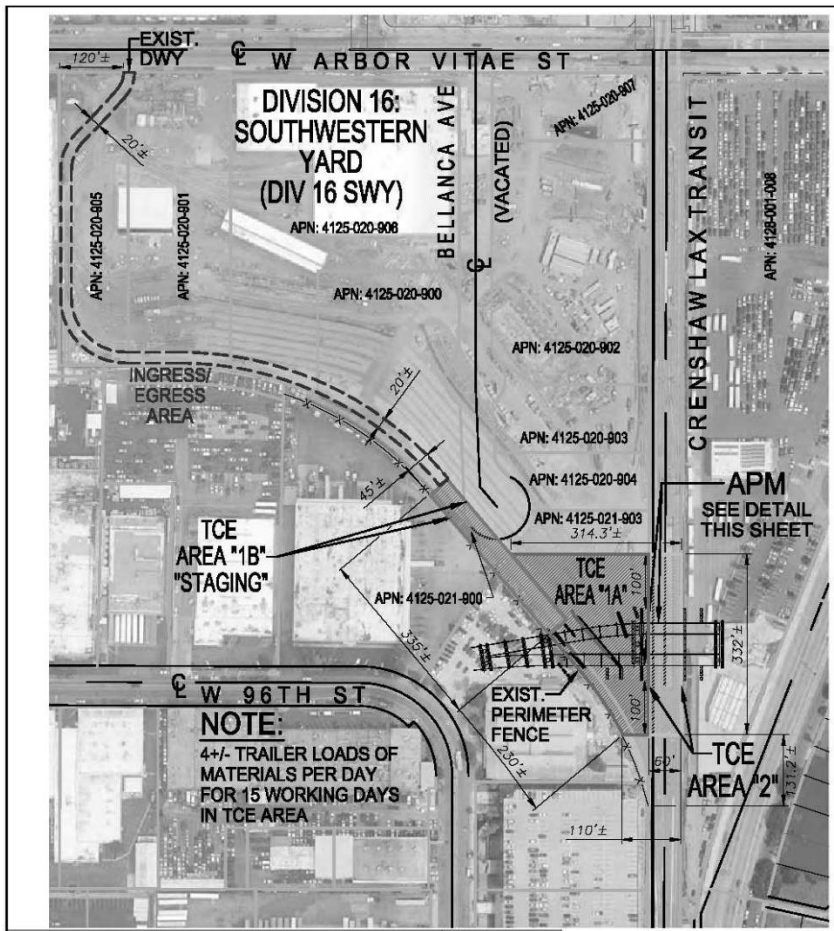


Phillip A. Washington
Chief Executive Officer

EXHIBIT A - SITE PLAN

APM FALSEWORK WITHIN AMC STATION

APN: 4125-020-900, 902, 907 / 4125-021-900, 903 / 4125-026-900
CURRENT AS OF: JULY 26, 2019



DESIRED AREAS	AREA (SF)
INGRESS/EGRESS AREA	25,640
TEMPORARY CONSTRUCTION EASEMENT AREA "1A"	49,580
TEMPORARY CONSTRUCTION EASEMENT AREA "1B" "STAGING"	14,500
TEMPORARY CONSTRUCTION EASEMENT AREA "2"	19,920

LEGEND

- EXISTING STREET CENTERLINE
- EXISTING CITY R/W
- PROPERTY LINE
- PROPOSED FALSEWORK
- PROPOSED BENTS
- LIMITS OF GUIDEWAY
- LIMITS OF TCE AREA "1A"
- LIMITS OF TCE AREA "1B"
- LIMITS OF TCE AREA "2"
- LIMITS OF INGRESS/EGRESS AREA

NOT TO SCALE

**Board Report**

File #: 2020-0455, File Type: Policy

Agenda Number: 6.

**FINANCE, BUDGET AND AUDIT COMMITTEE MEETING
AUGUST 19, 2020**

SUBJECT: SALE OF SURPLUS PROPERTY

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

DECLARING that a portion of 6111 Wilshire Boulevard (shown in Attachment A) is not necessary for use by LACMTA and is “exempt surplus land” as defined in Section 54221(f)(1) (C) of the California Surplus Land Act (the “Act”).

ISSUE

LACMTA originally acquired fee simple interest in 6111 Wilshire Boulevard (the “Subject Property”) for the Westside Purple Line Extension Section 1 Project (the “Project”). A portion of the Subject Property is not needed for the Project and can be declared surplus (such portion will be referred to hereinafter as the “Property”). Under the Section 54221(b)(1) of the Act, “land shall be declared either “surplus land” or “exempt surplus land”, as supported by written findings, before a local agency may take any action to dispose of it consistent with an agency’s policies or procedures”.

DISCUSSION

Exempt Surplus Land - Summary Findings

The Act, as amended in October 2019, provides for the disposition of “surplus land” or “exempt surplus land”, as defined in the Act. “Surplus Land” means land owned in fee simple by any local agency for which the local agency’s governing body takes formal action in a regular public meeting declaring that the land is surplus and is not necessary for the agency’s use. As defined in Section 54221(f)(1)(C) of the Act, exempt surplus land includes “surplus land that a local agency is exchanging for another property necessary for the agency’s use”.

The Property will be sold to the owner of contiguous adjacent land as part of the litigation settlement authorized by the Board in closed session at its June 25, 2020 Board meeting, in connection with the acquisition of real property interests necessary for the Project.

The Property to be Exchanged

LACMTA acquired fee simple interest in the Subject Property for construction and operation of the Project. The Subject Property, more particularly described and depicted in Attachment “A”, is approximately 8,183 square feet in size. After construction of the Project, portions of the Subject Property adjacent to Wilshire Boulevard will be encumbered with permanent surface and subsurface easements (the “Easements”) that are required in connection with the construction and permanent location of certain permanent facilities necessary to serve the Wilshire/Fairfax Station that is part of the Project. The permanent facilities are needed for ventilation, emergency exit hatches, dedication areas and underground structures necessary for the operation of the Project.

The remainder of the Subject Property not encumbered by the Easements (i.e., the Property), containing approximately 5,887 square feet are not needed by the Project and can be declared surplus.

Property Necessary for LACMTA Use

In addition to the easement areas on the Subject Property necessary for the Project, LACMTA needed to acquire certain property interests for construction and operation of the Project, located at 6101 Wilshire Boulevard which is adjacent to the Subject Property (“Adjacent Property”). Those interests include a temporary construction easement containing approximately 8,481 square feet for an eight (8)-year period, and a fee interest containing approximately 254 square feet (“Property Interests”) in the Adjacent Property. After LACMTA failed to reach a negotiated agreement with the owner of the Adjacent Property on the purchase price for the Property Interests, LACMTA adopted a Resolution of Necessity to condemn the required Property Interests in April 2014. The condemnation case has been proceeding through the courts. Finally in 2020, a tentative agreement was reached between LACMTA and the owner, subject to approval of the LACMTA Board of Directors. The agreement included the sale of the Property as part of the compensation for the Property Interests. The exchange of the Property is an integral part of the settlement agreement for the acquisition of the Property Interests.

Under these circumstances and pursuant to the Act, the Property is exempt surplus land.

EQUITY PLATFORM

The sale of the Property to the Adjacent Property owner promotes the completion of the transit facilities and provides access to critical transportation for disadvantaged communities.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Declaring the land as exempt surplus land does not have any financial impact. The value to be attributed to the project for the sale of this property was approved by the Board in the June 25, 2020

closed session, subject to the Board determining the Property was exempt surplus land. A portion of the funds to acquire the property was received from the Federal Transit Administration ("FTA"). FTA concurred with LACMTA's request for disposition of the Property by letter dated June 16, 2020 and requires the proceeds from the sale to be used to reduce the gross cost of the Project.

Impact to Budget

Declaring the land as exempt surplus land does not have any impact to the budget. The value to be attributed to the project for the sale of this property (approved in June 2020) was included in the FY21 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

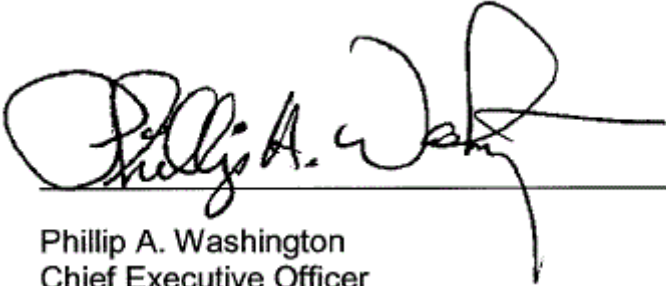
The recommended Board action is consistent with Metro Vision 2028 Goal #1: Provide high quality mobility options that enable people to spend less time traveling.

ATTACHMENTS

Attachment A - Site Plan for 6111 Wilshire Boulevard

Prepared by: Velma C. Marshall, Deputy Executive Officer - Real Estate (213) 922-2415
Holly Rockwell, Senior Executive Officer - Real Estate, Transit-Oriented
Communities and Transportation Demand Management, (213) 922-5585

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



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A



Marinello Parcel
6111 Wilshire Boulevard LA, CA 90048



Board Report

File #: 2020-0477, File Type: Appointment

Agenda Number: 7.

**FINANCE, BUDGET AND AUDIT COMMITTEE
AUGUST 19, 2020**

SUBJECT: MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE SELECTIONS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

APPROVE:

- A. Richard Stanger, the recommended nominee for area of expertise C, Transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices; and
- B. Gregory Amparano, the recommended nominee for area of expertise E, Professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects.

ISSUE

The Measure M Ordinance (Ordinance) approved by voters in November 2016 requires the establishment of a Measure M Independent Taxpayer Oversight Committee of Metro (“Committee”) to provide an enhanced level of accountability for expenditures of sales tax revenues made under the Expenditure Plan. The Committee carries out the responsibilities laid out in the Ordinance and plays a valuable and constructive role in the ongoing improvement and enhancement of project delivery contemplated under the Measure M Ordinance.

DISCUSSION

The Measure M Ordinance requires the establishment of the Measure M Independent Taxpayer Oversight Committee (“Committee”) comprised of seven members representing the following areas of expertise:

- A. A retired Federal or State judge;
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience;

- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices;
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews;
- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects;
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience; and
- G. A regional association of business representative with at least ten (10) years of senior-level decision making experience in the private sector.

The Measure M Ordinance states that the Selection Panel consisting of Metro's Board Chair, Vice Chair, and second Vice Chair or their designees shall select for approval the Committee Members. The Selection Panel developed guidelines to solicit, collect, and review applications of potential candidates for membership on the Committee. In accordance with the Selection Panel's guidelines, Metro developed a Communication Plan to promote the solicitation of applicants for the Committee. As part of the extensive outreach to solicit applications, Metro contacted elected officials, associations that represent professions identified for the Committee, business organizations and other stakeholders. To collect the applications, Metro opened the online application process using Metro's dedicated website for Measure M.

As stipulated in the guidelines, on June 25, 2020, staff presented the candidates to designees of the Metro Board Chair, Vice Chair and second Vice Chair.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not negatively impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Approving the recommended action brings no financial impact to the agency.

ALTERNATIVES CONSIDERED

Not approve the recommended members for the Committee and re-solicit applications. This is not recommended as it would increase the number of vacancies on the Committee and increase the likelihood of not obtaining the quorum necessary to review and discuss important Measure M matters. This may impact the ability to provide an enhanced level of accountability for expenditures of sales tax revenues made under the Expenditure Plan.

NEXT STEPS

Upon approval staff will schedule an orientation session for the selected members. In addition, staff will commence the recruitment process to fill a vacancy for subject area of expertise B; municipal

financial/budget professional as Carlos Bohorquez resigned on July 7, 2020.

ATTACHMENTS


Attachment A - Committee Membership Requirements

Attachment B - Selection Panel Guidelines

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

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

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



Phillip A. Washington
Chief Executive Officer

Measure M Independent Taxpayer Oversight Committee
Membership

Requirements:

Committee Members shall be comprised of seven (7) voting members representing the following professions or areas of expertise:

- A. A retired Federal or State judge
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience
- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience
- G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector

The intent is to have one member representing each of the specified areas of expertise. If, however, after a good faith effort, qualified individuals have not been identified for one (1) or more of the areas of expertise, then no more than two (2) members from one (1) or more of the remaining areas of expertise may be selected.

The members of the Committee must reside in Los Angeles County and be subject to conflict of interest provisions. No person currently serving as an elected or appointed city, county, special district, state, or federal public officeholder shall be eligible to serve as a member of the Committee.

The Committee members shall be subject to Metro's conflict of interest policies. The members shall have no legal action pending against Metro and are prohibited from acting in any commercial activity directly or indirectly involving Metro, such as being a consultant to Metro or to any party with pending legal actions against Metro during their tenure on this Committee. Committee members shall not have direct commercial interest

ATTACHMENT A

Measure M Independent Taxpayer Oversight Committee Membership

or employment with any public or private entity, which receives sales tax funds authorized by this Ordinance.

Each member of the Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve. Members will be compensated through a stipend and they may choose to waive.

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office, including a filing under California Government Code Section 85200, or change of residence to outside the County shall constitute a Member's automatic resignation.

**Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee**

Independent Taxpayer Oversight Committee Selection

I. Solicitation/Outreach

Metro's Communications Department will be responsible for developing an outreach plan to solicit applicants for the Measure M Independent Taxpayer Oversight Committee which requires the following seven (7) areas of expertise:

- A. A retired federal or state judge.
- B. A professional from the field of municipal/public finance and/or budgeting with a minimum of ten (10) years of relevant experience.
- C. A transit professional with a minimum of ten (10) years of experience in senior-level decision making in transit operations and labor practices.
- D. A professional with a minimum of ten (10) years of experience in management and administration of financial policies, performance measurements, and reviews
- E. A professional with demonstrated experience of ten (10) years or more in the management of large-scale construction projects.
- F. A licensed architect or engineer with appropriate credentials in the field of transportation project design or construction and a minimum of ten (10) years of relevant experience.
- G. A regional association of businesses representative with at least ten (10) years of senior-level decision making experience in the private sector.

Management Audit Services will partner with Information Technology Services and Communications in the maintenance and update of the Independent Taxpayer Oversight Committee Webpage that links to the Measure M website. The Independent Taxpayer Oversight Committee Webpage will include the purpose, responsibilities, membership of the Committee including eligibility requirements as stipulated in the Ordinance, vacancies and recruitment information at a minimum. The website will also include links to the full Ordinance and online application; as well as a centralized email address for applicant inquiries. Inquiries on the application will be forwarded to the respective department or personnel and response time will be within three to five business days.

II. Application Process

Management Audit Services in partnership with various business units within Metro will develop the draft application questions for the Selection Panel's input and approval. Once approved, the questions will be converted to an online application. The online application and bulletin will be approved by the Selection Panel prior to posting on the Independent Taxpayer Oversight Committee Webpage which links to the Measure M website. The application will be open to the public for at least sixty (60) days to allow for adequate outreach.

III. Collection of Applications

Submitted application forms will be collected using the online application process approved by the Selection Panel. At the end of at least the 60 day period of online application process, a summary of applications received together with the completed

**Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee**

applications and associated attachments will be turned in to the Selection Panel within seven business days after the online application closes. The summary will include but will not be limited to:

1. Total applicants received including areas of expertise that they applied for,
2. Total applicants that meet the eligibility requirements per area of expertise applied for, and
3. Total applicants that did not meet the eligibility requirements per area of expertise applied for.

IV. Selection Panel's Review of Applications

The Selection Panel, which will consist of Metro's Board Chair, Vice Chair, and second Vice Chair or designees, will be responsible for reviewing applications received from eligible applicants and for screening the applicants. The Panel shall recommend potential candidates for the Independent Taxpayer Oversight Committee membership to the Metro Board for approval. The successful candidates will receive notification from the Selection Panel at least three weeks prior to Metro Board Meeting.

V. Board Approval

Once the Selection Panel recommends the final candidates, it will be added as an agenda item for the Metro Board Meeting. The recommended candidates for Independent Taxpayer Oversight Committee Membership shall be approved by the Metro Board by a simple majority.

VI. Term

Each member of the Independent Taxpayer Oversight Committee shall serve for a term of five (5) years, and until a successor is appointed, except that initial appointments may be staggered with terms of three (3) years. A Committee member may be removed at any time by the appointing authority. Term limits for Committee members will be staggered to prevent significant turnover at any one time. There is no limit as to the number of terms that a Committee member may serve.

Six (6) months prior to expiration of term, the Selection Panel will convene to determine if there is any need to replace any of the Committee members. The Selection Panel will also confirm whether the incumbent Committee members still wish to serve for additional term(s).

VII. Compensation

Members will be compensated through a stipend, the amount of which is approved by the Metro Board. Members may choose to waive stipend.

VIII. Resignation/Replacement of Committee Members

Any member may, at any time, resign from the Committee upon written notice delivered to the Metro Board. Acceptance of any public office, the filing of intent to seek public office,

**Selection Panel Guideline
Measure M Independent Taxpayer Oversight Committee**

including a filing under California Government Code Section 85200, or change of residence to outside Los Angeles County shall constitute a Member's automatic resignation.

The filling of membership vacancies, due to removals and reappointments will follow the above procedures in this Guideline.

IX. Committee Orientation

Management Audit Services will work with various departments to prepare an orientation handbook and presentation will conduct the orientation at least one month prior to the first scheduled Independent Taxpayer's Oversight Committee.

X. Establishment of Committee Officers and Bylaws

Subsequent to the orientation, the Independent Taxpayer's Oversight Committee may elect to develop their own bylaws including rules for the establishment of Committee Officers (e.g. Chair, Vice Chair, etc.) including a rotation schedule for these positions.



Board Report

File #: 2020-0484, File Type: Informational Report

Agenda Number: 8.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 19, 2020

**SUBJECT: MANAGEMENT AUDIT SERVICES FISCAL YEAR 2020 FOURTH QUARTER
STATUS REPORT AND CUMULATIVE YEAR-END REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) FY 2020 fourth quarter status report and cumulative year-end report.

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. This report provides Q4 activity for the period of April 1, 2020 through June 30, 2020; and cumulative FY 2020 year-end for the period of July 1, 2019 through June 30, 2020.

BACKGROUND

It is customary practice for Management Audit Services to deliver the status reports on the internal and external audit activities.

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 independent 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 details of MAS activity are included in the Management Audit Services FY 2020 Fourth Quarter Status Report and Cumulative Year-End Report (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

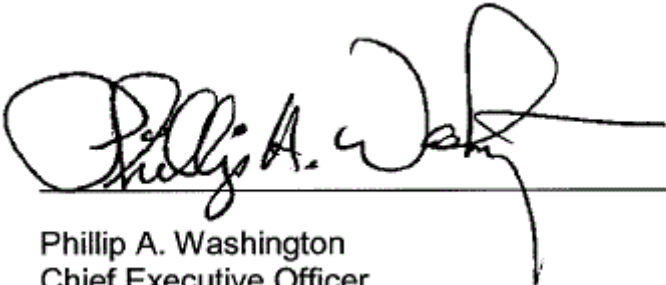
Management Audit Services will continue to report audit activity throughout the fiscal year.

ATTACHMENT

Attachment A - FY2020 Fourth Quarter Status Report and Cumulative Year-End Report Matrix

Prepared by: Lauren Choi, Sr. Audit Director, Interim, (213) 922-3926
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Reviewed by: Shalonda Baldwin, Chief Auditor, Interim, (213) 418-3265



Phillip A. Washington
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES
REPORT TO THE BOARD**

**Los Angeles County Metropolitan
Transportation Authority**

***Fiscal Year 2020
Fourth Quarter
Status Report and
Cumulative
Year-End Report***



Metro

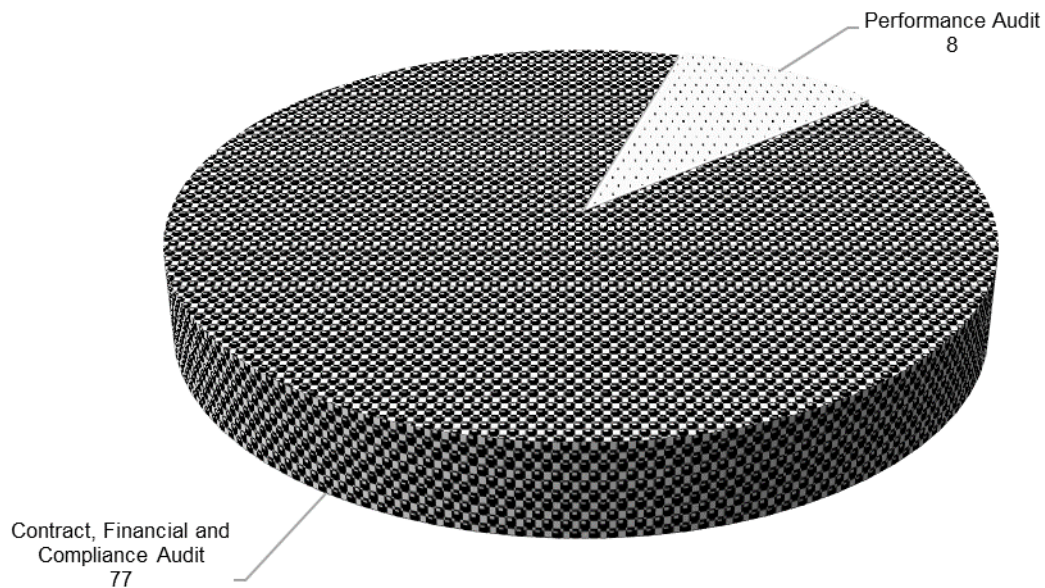
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EXECUTIVE SUMMARY

Summary of In Progress Audit Activity

Management Audit Services (MAS) have 85 in progress projects as of June 30, 2020; which include 8 performance audits and 77 contract, financial and compliance audits. The in progress performance audits are listed in Appendix A.



There are 61 open audit recommendations as of June 30, 2020. In addition, there are 44 open OIG audit recommendations.

EXECUTIVE SUMMARY

Summary of Q4 Completed Audit Activity

Reporting period April 1, 2020 through June 30, 2020

MAS completed 28 projects and closed 52 recommendations. The projects comprised of two performance audits; 24 contract, financial and compliance audits; and two other audits issued by contracted independent certified public accountant firms. The breakdown is as follows:

Performance Audits

- Performance Audit of System Security & Law Enforcement's (SSLE) Continuity of Operations Plan (COOP); and
- Performance Audit of Change Order Internal Controls.

Contract, Financial and Compliance Audits

- Six (6) Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for the Sepulveda Transit Corridor Environmental Review and Conceptual Engineering Project;
- Fifteen (15) Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for the Crenshaw / LAX Northern Extension Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures of LKG-CMC, Inc.'s final indirect cost rates for fiscal year 2013 for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures for close-out incurred cost of the Port of Los Angeles' South Wilmington Grade Separation Project; and
- Independent Auditor's on Agreed-Upon Procedures for close-out incurred cost of City of Pasadena's Bus Purchase to Relieve Significant Overcrowding Project.

Other Audits

- Two (2) other audits issued by external Certified Public Accountant (CPA) firms.

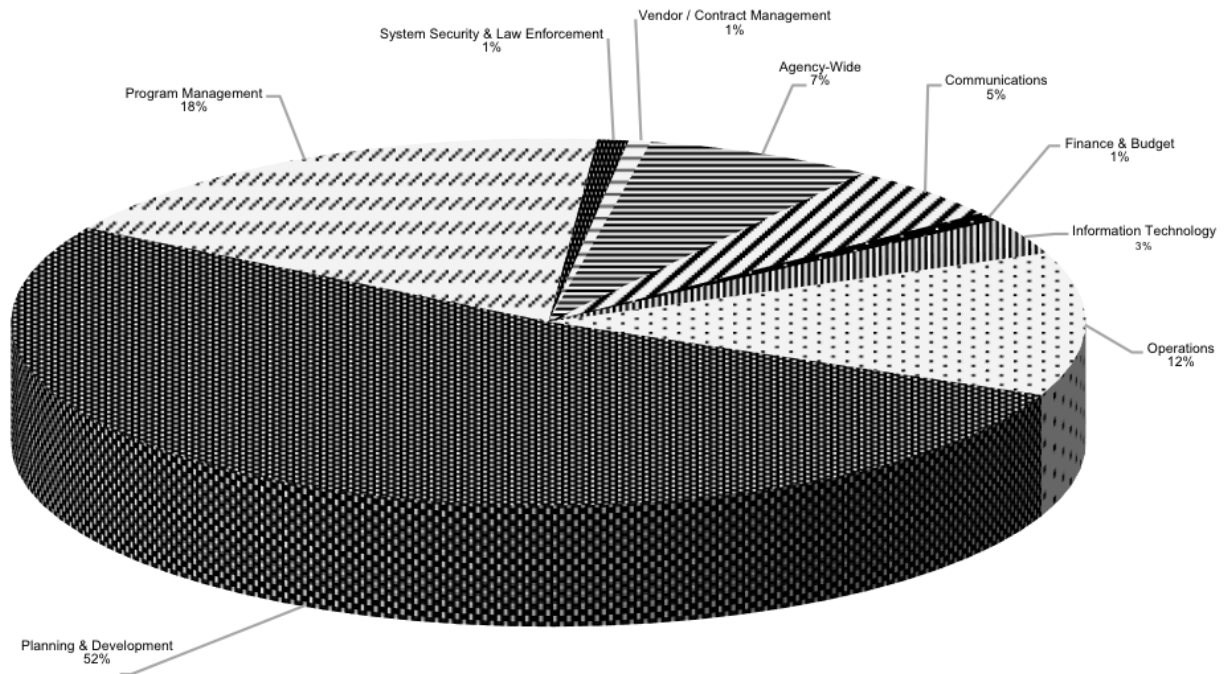
Audit Follow-Up:

- Four (4) recommendations were closed. In addition, MAS supported in the closure of 48 OIG recommendations.

EXECUTIVE SUMMARY

Summary of Q4 Audit Activity by Department

Reporting period April 1, 2020 through June 30, 2020



PERFORMANCE AUDITS

Performance Audits:

Performance Audit of System Security & Law Enforcement's (SSLE) Continuity of Operations Plan (COOP)

The audit objective was to evaluate the adequacy of System Security & Law Enforcement's (SSLE) COOP and Standard Operating Procedures (SOPs) to support SSLE's mission essential function during emergencies.

MAS found that SSLE does have a COOP which has been in place since October 2017 and that identifies security's primary mission essential functions. In addition, SSLE participates in annual live table-top exercises with Emergency Management. However, we noted that the SSLE COOP and SOPs need certain key information to efficiently and effectively continue SSLE's mission essential functions in the event of an emergency (e.g., equipped continuity facilities, activation criteria, key personnel contacts, etc.).

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

Performance Audit of Change Order Internal Controls

The audit objectives were to determine 1) the extent of Vendor/Contract Management's (V/CM) compliance with policies and procedures; 2) the adequacy of the justification documentation for approving contract change orders/modifications and; 3) the extent of key information utilization for contract change orders/modifications; and to 4) identify best practices.

MAS found that Contract Administrators were generally in compliance with Vendor/Contract Management's policies and procedures. However, with regard to the adequacy of the justification documentation for approving change orders, we noted a need for improvement in one specific area and that was that Contract Administrators did not maintain documentation to explain differences of more than 5% between a final contract change order value and the Independent Cost Estimate (ICE). We also noted opportunities for improvement in three other areas.

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

CONTRACT, FINANCIAL AND COMPLIANCE AUDITS

MAS' Contract, Financial and Compliance Audit unit conducts audits of Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, including various other transportation related projects and Caltrans projects. The purpose of the Contract, Financial and Compliance Audit is to ensure that funds are expended in accordance with the terms of the grants and/or contracts including federal cost principles.

MAS staff completed 24 contract, financial and compliance audits. MAS staff reviewed \$367 million of funds and identified \$17 million or 5% of funds that may be reprogrammed.

FINANCIAL AND COMPLIANCE AUDITS OF METRO

Financial and compliance audits of Metro completed by external CPA firms include:

Access Services' Schedules of Revenues and Expenditures and Advanced Funds and Deferred Revenues – Issued March 2020

MAS contracted with Vasquez to complete the Independent Auditor's Report on Schedules of Revenues and Expenditures of Access Services for the years ended June 30, 2019 and 2018 and Schedules of Advanced Funds and Deferred Revenues as of June 30, 2019 and 2018. Vasquez found that the Schedules present fairly and in accordance with accounting principles generally accepted in the United States of America.

Access Services' Deferred Revenue Support – Issued April 2020

MAS contracted with BCA Watson Rice (BCA) to determine 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, 2018. 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, 2018 was \$11,780,986.

AUDIT SUPPORT

Summary of Q4 Audit Follow-Up and Resolution

Reporting period April 1, 2020 through June 30, 2020

The tables below summarize the audit recommendations and open recommendations. Details of open audit recommendations are included in Appendix D and E.

MAS and External Audit Recommendations

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications	1				
Finance & Budget	1			3	3
Human Capital & Development			5		5
Operations	1		17	17	34
Program Management			1		1
Risk, Safety & Asset Management	1		1	3	4
Systems Security and Law Enforcement			6	3	9
Vendor/Contract Management			4	1	5
Total	4		34	27	61

OIG Audit Recommendations

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Congestion Reduction				10	10
Human Capital & Development				10	10
Operations	8		2	7	9
Systems Security and Law Enforcement	40			15	15
Total	48		2	42	44

FY 2020 YEAR-END ACTIVITY

Cumulative FY 2020 Completed Audit Activity

Reporting period July 1, 2019 through June 30, 2020

MAS completed audit activity for the fiscal year reporting period consist of: 207 completed audit projects; 6 cancelled audit projects; and 157 closed audit recommendations.

Completed Projects

The completed projects comprise of 55 issued by MAS and 152 issued by external CPA's firms as follow:

- 10 performance audits;
- 45 contract, financial and compliance audits with an audit value amount of \$426 million; of which \$22 million or 5% of identified unused funds that may be reprogrammed; and
- 152 financial and compliance audits (primary composition of legally mandated audits such as Prop A & C, Measure R, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

A summary of the completed performance audit projects is provided in Appendix B and the completed contract, financial and compliance audit is provided in Appendix C.

Cancelled Projects

The following projects were cancelled:

- Compliance Reviews of Subrecipient Maintenance Activities;
- Follow-up Audit of Information Security;
- Performance Audit of Key Information;
- Performance Audit of Low-Income Housing Targets / Goals; and
- Performance Audit of Position Reconciliation Process.

Several projects were cancelled during the year for a variety of reasons. For example, in some instances it was determined that management was already undertaking some significant initiative in the subject matter areas that would have made the audits a duplication of effort. In other instances, it was discovered that the timing of performing the audit was not ideal at this time, or management already had a strong awareness of what performance gaps existed in the program to be reviewed, making the need for an audit less pressing.

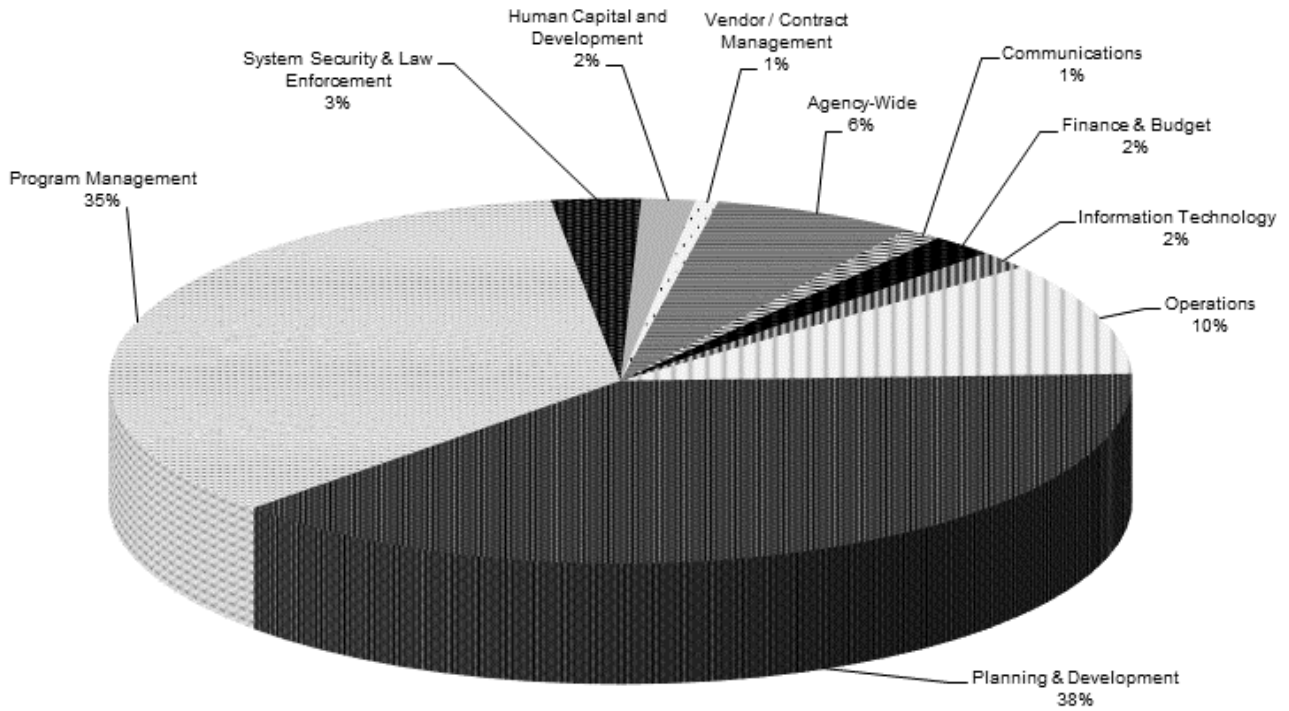
Audit Follow-up

MAS closed 31 open recommendations during the fiscal year and provided administrative support for the closure of 126 OIG open recommendations.

FY 2020 YEAR-END ACTIVITY

Cumulative FY 2020 Audit Activity by Department

Reporting period July 1, 2019 through June 30, 2020



FY 2020 YEAR-END ACTIVITY

Department Highlights

Performance Audits

- Conducted a performance audit of a major provider of contracted bus services to Metro. The audit reviewed and identified opportunities for improvement by the contractor in the areas of maintenance, quality control, and driver safety and provided Metro's Chief Executive Officer and Board with assurance that safer and more reliable bus vehicles were being used by the contractor.
- Conducted audits of the Continuity of Operations Plans (COOPs) for the Payroll section of Finance as well as for the System Security and Law Enforcement Departments. The audits provided both departments with information to strengthen the COOPs, and Standard Operating Procedures (SOP) associated with the COOPs. These series of audits are designed to assess the adequacy of business units COOPs and SOPs.
- Performed audits of two key Operations technology platforms providing insights into the platform's functionality in comparison to best practice industry technology frameworks. These audits identified opportunities for greater collaboration among Metro departments and identified ways in which the information security processes related to these platforms could be enhanced to ensure greater management of information security and operational risks.

Transitional Indirect Cost Rate (TICR) Policy and Pilot Program

MAS in concerted effort with Vendor / Contract Management updated the Transitional Indirect Cost Rate (TICR) Policy in March 2020 to expand the TICR pilot program to eligible firms for new firm-fixed price contract types. Under the revised TICR Policy eligible firms for new cost reimbursable and firm fixed contract types may submit TICR Participant Eligibility and Questionnaire Form(s) for consideration. As a result of the Policy expansion there have been four additional small business enterprises (SBE) enrolled in the pilot program.

Audit Support Services

The Audit Support team initiated focused communication and engagement initiatives to further strengthen the department's ability to deliver value through partnership and trust in support of the Metro providing responsive and trustworthy governance. The focused initiatives comprised of the release of an internal survey to gather feedback and input from internal business partners and senior leadership; convening of an MAS work group focused on department enhancements; and the launch of strategic internal communications.

Appendix A

Performance Audit - In Progress Audits as of June 30, 2020						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase 1	Determine whether existing and newly hired employees of Wayside Systems Engineering & Maintenance completed the required training (technical, safety, and mandated) including required refresher courses; required certification per position is current; and employees have the right certification for the tasks assigned.	First Time	Per FY19 Audit Plan	7/2020
2	Operations	20-OPS-P03 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase 2	Review and evaluate the adequacy of the rail engineering & maintenance technical, safety, and mandated training provided to Wayside Track, Signal and the Traction Power units.	First Time	Per FY19 Audit Plan	7/2020
3	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.	First Time	Special Request	8/2020
4	Operations / 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 for selected positions.	2nd Time; Last Audit 2 years ago	Per FY18 Audit Plan	10/2020
5	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.	First Time	Per FY20 Audit Plan	11/2020
6	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.	2nd Time; Last Audit 3 years ago	Per FY20 Audit Plan	11/2020
7	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.	2nd Time; Last Audit 4 years ago	Per FY20 Audit Plan	11/2020
8	Operations / Risk, Safety / Environmental Compliance	20-OPS-P01 Performance Audit of Personal Protective Equipment for Maintenance	Determine the adequacy of training and utilization of personal protective equipment by Metro workers performing clean-ups of Metro facilities impacted by activities of homeless individuals.	First Time	Per FY20 Audit Plan	4/2021

Appendix B

Performance Audit - Audits Completed During FY20						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Date of Completion
1	Finance & Budget	18-RSK-P02 - Performance Audit of Finance (Payroll)'s Continuity of Operations Plan (COOP)	Evaluate the adequacy of Finance (Payroll)'s COOP and Standard Operating Procedures (SOPs) to support Payroll's mission essential function during emergencies.	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	7/2019
2	Operations	19-OPS-P04 - Contracted Bus Services	Determine compliance with contract requirements as it relates to bus maintenance, quality control and driver safety of MV Transportation Inc.	First Time	Special Request	8/2019
3	Vendor/Contract Management	19-VCM-P01 - Compliance Audit of Business Interruption Funds	Evaluate Business Interruption Fund's compliance with administrative guidelines, and fund and disbursement procedures.	3rd Time; Annual Audit	Per FY19 Audit Plan	10/2019
4	Systems Security and Law Enforcement	19-SEC-P01 - Agreed-Upon Procedures over Assets Purchased by Metro for Los Angeles Sheriff's Department (LASD) Contracts	Verify the existence, location, condition and use of assets, final disposition of retired assets and disposal proceeds, and completeness and accuracy of LASD's and Metro's records of these assets.	First Time	Per FY19 Audit Plan	11/2019
5	Operations	19-OPS-P02 - Performance Audit of Rail Communication Systems	Determine the adequacy of the security controls over Rail Communication network system for Rail Operations Control equipment, including but not limited to the firewall and password policies; logical security of remote sites; protocol including criteria and guidelines used to protect the network; rail communication systems redundancy; change management process, and incident response process.	First Time	Per FY19 Audit Plan	11/2019
6	Operations	19-OPS-P03 - Performance Audit of SCADA Security Controls	Determine the adequacy of the security controls for the SCADA Systems, including but not limited to the new virtualized SCADA server/workstations for Rail Operations Control Room (ROC) equipment, logical and physical security of remotes for external remote connection, and other additional areas as deemed necessary.	2nd Time; Last Audit 7 years ago	Per FY19 Audit Plan	11/2019
7	Human Capital & Development	19-BEN-P01 - Performance Audit of Benefit Eligibility	Evaluate adequacy of internal controls over eligibility process for employee dependents for medical benefits.	First Time	Per FY19 Audit Plan	1/2020
8	Operations	16-OPS-P03 - Performance Audit of Accident Prevention Program	Assess progress made in this area since the 2012 MAS audit of bus accident prevention and to identify improvement opportunities that may reduce accidents.	2nd Time; Last Audit 7 years ago	Per FY16 Audit Plan	2/2020
9	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan (COOP)	Evaluate the adequacy of System Security and Law Enforcement's COOP and Standard Operating Procedures (SOPs) to support mission essential functions during emergencies.	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	4/2020
10	Vendor/Contract Management	17-VCM-P02 Performance Audit of Change Order Internal Controls	Evaluate the adequacy and effectiveness of internal controls over the Contract Change Order Process, and to evaluate the utilization of Key Information by VCM.	First Time	Per FY17 Audit Plan	6/2020

Appendix C

Contract, Financial and Compliance Audit - Audits Completed During FY20						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
1	Program Management	17-CON-A34 - Agreed-Upon Procedures	Cogstone Resource Management, Inc.	Once	V/CM Policy and Contract Terms	7/2019
2	Program Management	19-CON-A22 - Agreed-Upon Procedures	Ted Tokio Tanaka Architects	First Time	V/CM Policy and Contract Terms	7/2019
3	Operations	19-OPS-A02 - Agreed-Upon Procedures	New Flyer of America, Inc.	Once	V/CM Policy and Contract Terms	7/2019
4	Program Management	18-CON-A13 - Agreed-Upon Procedures	Advantec Consulting Engineers, Inc.	Once	V/CM Policy and Contract Terms	8/2019
5	Planning & Development	17-PLN-A16A - Agreed-Upon Procedures	Ramboll Environ	Once	V/CM Policy and Contract Terms	8/2019
6	Program Management	19-CON-A23 - Agreed-Upon Procedures	Ted Tokio Tanaka Architects	2nd Time	V/CM Policy and Contract Terms	8/2019
7	Planning & Development	17-PLN-A20 - Agreed-Upon Procedures	Grimshaw Architects, P.C.	First Time	V/CM Policy and Contract Terms	8/2019
8	Planning & Development	20-PLN-A06 - Agreed-Upon Procedures	Advanced Civil Technologies, Inc.	Once	V/CM Policy and Contract Terms	9/2019
9	Planning & Development	20-PLN-A05 - Agreed-Upon Procedures	WKE, Inc.	Once	V/CM Policy and Contract Terms	9/2019
10	Planning & Development	20-PLN-A03 - Agreed-Upon Procedures	Michael Baker International, Inc.	Once	V/CM Policy and Contract Terms	9/2019
11	Planning & Development	17-PLN-A32 - Closeout	Gateway Cities Council of Governments	Once	Per Project Manager's request and MOU. P0007193	10/2019
12	Planning & Development	18-HWY-A12 - Closeout	County of Los Angeles	Once	Per Project Manager's request and MOU. MR312.16	11/2019
13	Program Management	19-CON-A01 - Agreed-Upon Procedures	ILF Consultants, Inc.	Once	V/CM Policy and Contract Terms	12/2019
14	Program Management	19-CON-A09 - Agreed-Upon Procedures	LKG-CMC, Inc.	Once	V/CM Policy and Contract Terms	12/2019
15	Planning & Development	17-PLN-A17A - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
16	Planning & Development	17-PLN-A17B - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
17	Planning & Development	17-PLN-A17C - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
18	Planning & Development	17-PLN-A17D - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
19	Planning & Development	19-HWY-A03 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.MR310.16 terms	1/2020
20	Planning & Development	19-PLN-A17 - Closeout	City of Torrance	Once	Per Project Manager's request and FA. 920000000F3312 terms	2/2020
21	Planning & Development	19-HWY-A12 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.310.17 terms	3/2020
22	Planning & Development	19-PLN-A09 - Closeout	The Port of Los Angeles	Once	Per Project Manager's request and MOU.P00F1199 terms	4/2020

Appendix C

Contract, Financial and Compliance Audit - Audits Completed During FY20						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
23	Planning & Development	20-PLN-A28 - Agreed-Upon Procedures	D'Leon Consulting Engineers Corp.	Once	V/CM Policy	5/2020
24	Planning & Development	20-PLN-A21 - Agreed-Upon Procedures	AECOM Technical Services, Inc.	Once	V/CM Policy	5/2020
25	Planning & Development	20-PLN-A22 - Agreed-Upon Procedures	Terry A. Hayes Associates Inc.	Once	V/CM Policy	5/2020
26	Planning & Development	20-PLN-A23 - Agreed-Upon Procedures	HNTB Corporation	Once	V/CM Policy	5/2020
27	Planning & Development	20-PLN-A27 - Agreed-Upon Procedures	Conaway Geomatics	Once	V/CM Policy	5/2020
28	Planning & Development	20-PLN-A34 - Agreed-Upon Procedures	Suenram & Associates, Inc.	Once	V/CM Policy	5/2020
29	Planning & Development	20-PLN-A41 - Agreed-Upon Procedures	Intueor Consulting, Inc.	Once	V/CM Policy	5/2020
30	Planning & Development	20-PLN-A42 - Agreed-Upon Procedures	Jenkins/Gales & Martinez, Inc.	Once	V/CM Policy	5/2020
31	Planning & Development	20-PLN-A39 - Agreed-Upon Procedures	Conaway Geomatics	Once	V/CM Policy	5/2020
32	Planning & Development	20-PLN-A51 - Agreed-Upon Procedures	Leighton Consulting, Inc.	Once	V/CM Policy	5/2020
33	Planning & Development	20-PLN-A43 - Agreed-Upon Procedures	Leland Saylor Associates, Inc.	Once	V/CM Policy	5/2020
34	Planning & Development	20-PLN-A49 - Agreed-Upon Procedures	V&A, Inc.	Once	V/CM Policy	5/2020
35	Planning & Development	20-PLN-A50 - Agreed-Upon Procedures	Vicus, LLC	Once	V/CM Policy	5/2020
36	Planning & Development	20-PLN-A47 - Agreed-Upon Procedures	MLA Green Inc.	Once	V/CM Policy	5/2020
37	Planning & Development	20-PLN-A44 - Agreed-Upon Procedures	MA Engineering	Once	V/CM Policy	5/2020
38	Planning & Development	20-PLN-A48 - Agreed-Upon Procedures	Suenram & Associates, Inc.	Once	V/CM Policy	5/2020
39	Planning & Development	20-PLN-A45 - Agreed-Upon Procedures	RAW International, Inc.	Once	V/CM Policy	5/2020
40	Planning & Development	20-PLN-A38 - Agreed-Upon Procedures	AECOM Technical Services, Inc.	Once	V/CM Policy	5/2020
41	Planning & Development	20-PLN-A40 - Agreed-Upon Procedures	Del Richardson & Associates, Inc.	Once	V/CM Policy	5/2020
42	Planning & Development	20-PLN-A46 - Agreed-Upon Procedures	Systems Consulting, LLC.	Once	V/CM Policy	5/2020
43	Planning & Development	20-PLN-A20 - Closeout	City of Pasadena	Once	Per Project Manager's request and FA92000000F9416 terms	6/2020
44	Planning & Development	20-PLN-A37 - Agreed-Upon Procedures	WSP USA, Inc.	Once	V/CM Policy	6/2020
45	Program Management	20-CON-A06 - Agreed-Upon Procedures	LKG-CMC, Inc.	Once	V/CM Policy and Contract Terms	6/2020

Appendix D

Open Audit Recommendations as of June 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

Appendix D

Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
4	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1b	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. 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
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

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

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Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
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 Line Instructor Premium (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	9/30/2020
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 has implemented an automated fix however, a coding error was found which ITS is currently working with the vendor to fix.	12/31/2019	9/30/2020
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 has implemented an automated fix however, a coding error was found which ITS is currently working with the vendor to fix.	12/31/2019	9/30/2020
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 has implemented an automated fix however, a coding error was found which ITS is currently working with the vendor to fix.	12/31/2019	9/30/2020

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Appendix D

Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	12	We recommend Operations management immediately partner with ITS department in determining any underpayments due to fallback hours, and make timely corrections necessary for all holidays starting May 2018 to date. Update: The majority of the retroactive pay correction was processed in June 2020, however, a few payments are still outstanding.	9/30/2019	3/31/2020
14	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	
15	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
16	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
17	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
18	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	5	We recommend that Payroll management update the SOP contact details as requested by Emergency Management on a periodic basis, e.g., quarterly or semi-annually, or when Accounting Administration issues a revised organization chart with changes to Payroll key personnel.	7/31/2020	

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

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Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
19	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	6	We recommend that Payroll management add language for the roster of trained personnel (Appendix E): "ITS will assign personnel at the backup site".	8/30/2020	
20	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	7	We recommend that Payroll management consolidate all the COOP-related SOP information into one document. The existing COOP-related SOPs should be referenced and attached as appendices to Finance (Payroll)'s COOP, and SOPs under development should be referenced to and attached as they are completed.	7/31/2020	
21	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	11 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of July 2020, 2 of 12 recommendations was closed.		
22	Operations	19-OPS-P03 Performance Audit of the SCADA Security Controls	13 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of July 2020, 1 of 13 recommendations was closed.		
23	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
24	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
25	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
26	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
27	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.

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Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
28	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 Field Observation and Feedback (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
29	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	
30	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	
31	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	5	We recommend that the Chief Operations Officer continue the monitoring of staff compliance with the guidelines in Transportation Directive 12-004, Hard Time Suspensions, with any exceptions to this directive being explained and documented. Update: Closed as of July 2020.	2/28/2020	5/31/2020
32	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	
33	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	
34	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	

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Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
35	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
36	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/30/2021	
37	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.	7/30/2020	1/29/2021
38	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	
39	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 pre-negotiation position that must be explained.	12/31/2020	

Appendix E

OIG Open Audit Recommendations as of June 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, 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	

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OIG Open Audit Recommendations as of June 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	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	1a	The Metro SSLE Department should significantly strengthen ongoing monitoring and oversight of compliance with the terms of the law enforcement services contracts.	Pending	
15	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	1b	The Metro SSLE Department should review billings and payments for all twelve months of FY 2019 since this audit focused on only two months.	Pending	
16	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	1c	The Metro SSLE Department should formally amend the terms.	Pending	
17	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	2	The Metro SSLE Department should develop an effective approach to monitoring and overseeing contracted law enforcement resources to ensure the resources Metro is paying for are actually present and providing services. This should be accomplished using the smartphones issued to contract law enforcement personnel and an app that uses these smartphones' location based services capabilities and a policy defining and requiring the use of the smartphones.	Pending	

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OIG Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	10a	LAPD should inform Metro of the amount expected to exceed the estimated cost specified in the contract for each year before incurring the costs.	Pending	
19	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	10b	Metro's SSLE Department should continue monitoring LAPD's billings, payments and contract amount to ensure that costs do not exceed the annual estimated contract amount.	Pending	
20	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	10c	Metro's SSLE Department should determine if it will be necessary to seek contract award adjustment approval from the Board if at Year 5, they have not recovered excess expenditures.	Pending	
21	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	12	Metro should review LAPD's billings and ensure that only actual hours worked are billed in compliance with the contract.	Pending	
22	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	13a	LAPD should return the overbilled and overpaid amount of \$789.88 to Metro.	Pending	
23	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	13c	Metro's SSLE Department should work with LAPD to review all invoices for FY 2019 for billings exceeding the allowable	Pending	
24	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	14	Metro's SSLE Department should monitor LAPD's submission of reports to ensure all the required reports are submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures.	Pending	
25	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	15a	LASD should inform Metro of the amount expected to exceed the estimated cost specified in the contract for each year before incurring the costs.	Pending	
26	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	15b	Metro's SSLE Department should continue monitoring LASD's billings, payments and contract amount to ensure that costs do not exceed the annual estimated contract amount.	Pending	
27	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	19a	LBPD should return to Metro the overbilled and overpaid amount of \$29,313.65.	Pending	
28	System Security and Law Enforcement	20-AUD-07 Fiscal Year 2019 Metro Transit Security Services Performance	19b	Metro should review the billing rates for all FY2019 invoices to determine the extent of overbilling for all of FY2019.	Pending	

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OIG Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
29	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	1	LA Metro FSP should coordinate with LA Metro's Risk Management Department to review and verify annually that each FSP Contractor is maintaining required minimum insurance coverage as required by the contract.	Pending	
30	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	2a	LA Metro FSP should work with LA Metro's Procurement Department to correct inconsistent contract terms in Section 4 and 16 concerning the retention period for Pre-Operation Inspection Reports/Forms and notify the Contractors of the changes.	Pending	
31	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	2b	LA Metro FSP should review Pre-Operation Inspection Forms on a regular basis to ensure Contractors properly complete and sign these forms for each FSP vehicle prior to leaving the yard, and that FSP service and forms are maintained on file for the required period.	Pending	
32	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	3	LA Metro FSP should review the maintenance reports/logs on a regular basis to ensure that the Contractors carry out the recommended preventative/scheduled maintenance on trucks, and information on maintenance logs is complete and in sufficient detail to document the maintenance performed.	Pending	
33	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	4	LA Metro FSP should review safety meeting documentation on a regular basis to ensure the Contractors hold monthly safety meetings and meetings are properly documented. Updated: Closed as of July 2020.	4/30/2020	
34	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	5	LA Metro should focus its efforts on ensuring a successful procurement for a new performance monitoring system. LA Metro should consider developing an RFP that includes a "base system" with the required core functionality to increase the likelihood of a bid within budget expectations. Optional tasks could be included in the RFP for additional functionality that is desired but is not essential. LA Metro may also consider working with other counties who have already developed a performance monitoring system to identify if there may be any cost savings associated with using the same system.	7/1/2020	
35	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	

Appendix E

OIG Open Audit Recommendations as of June 30, 2020						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
36	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	7	LA Metro should develop a more detailed statement of the roles and responsibilities of LA Metro FSP staff to ensure compliance with contractual provisions. To that end, LA Metro FSP should consider developing a contract management manual ("Manual") that details each process necessary to hold contractors accountable for each contractual provision and what staff position is responsible and how that role is performed. Based on these assignments of responsibility, additional training may be required to ensure each person has the capacity to perform their responsibilities.	7/1/2020	
37	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	8	LA Metro FSP should consider developing a centralized database for file structure that holds all contract compliance and operating data related to each operator. This would make monitoring more effective, allow for better analysis and simplify reporting.	Pending	
38	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.	Pending	



Board Report

File #: 2020-0421, File Type: Informational Report

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 19, 2020

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIODS JULY 1, 2019 TO SEPTEMBER 30, 2019 AND OCTOBER 1, 2019 TO DECEMBER 31, 2019

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) final reports on the Statutorily Mandated Audit of Miscellaneous Expenses for the Periods July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019. These audits were performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) including its Board of Directors 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 (TBE) 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.

These audits covered a review of Metro miscellaneous expenses for the period of July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019. For the quarter ended September 30, 2019, miscellaneous expenses totaled \$1,854,681 with 739 transactions wherein we selected 48 transactions totaling \$393,886 for detail testing. For the quarter ended December 31, 2019, miscellaneous expenses amounted to \$1,619,696 with 801 transactions and we tested 45

transactions for a total amount of \$486,679.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the periods of July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for some of the expenses reviewed, requirements were not followed regarding the compliance with policies on purchase cards, check requests and professional membership, and travel and business expenses. We also noted some transactions were recorded to incorrect accounts.

Recommendations

July to September 2019:

We recommend that:

1. The Rail Transit Operations E (Expo) Line Division 14 should ensure that all P-Card transactions are supported with adequate documentation. The Approving Official should require the P-Cardholder to obtain itemized receipts to support all P-Card purchases.
2. The Communications Department should:
 - a. Ensure that P-Card logs are submitted according to P-Card Rules and Guidelines and all information are listed correctly, such as the name of the Business Unit Coordinator.
 - b. Remind staff to book their accommodation as far in advance as possible to take advantage of lowest possible hotel rates and to avoid lodging in excess of the allowable rates. In cases where accommodation in excess of allowable rate cannot be avoided, submit a justification memo approved by the Executive Officer. Encourage staff to attend TBE training.
3. The Office of Extraordinary Innovation should (a) follow up reimbursement from the sponsoring organization, and (b) monitor sponsored travels where Metro advanced the payment for expenses to ensure that the Agency is reimbursed promptly.
4. The System Security and Law Enforcement Department should encourage staff to attend the training on TBE and remind them of Metro's travel policy, and to ensure that employees submit their reports timely and accurately.
5. The General Services - Administration should:
 - a. Perform detailed review of Travel and Business Expense reports and supporting documents to ensure that reports are accurate, complete, and within applicable policies.

- b. Coordinate with Information Technology Services to add a feature in the TBE online system where it would automatically alert the traveler to indicate the reason/justification for any exception from the policy and to create a feature to track sponsored travel reimbursement.
- c. Update TBE policy to include rules and guidelines on sponsored travels.
- d. Continue to conduct training on FIN 14 to ensure employees are refreshed from time to time for the compliance with Metro travel policies and procedures.

October to December 2019

We recommend:

1. Board Relations, Policy and Research Department, submit a detailed justification memo signed by a responsible department head, along with other required documents, when preparing check requests for business meals.
2. Accounting Department continue to ensure that all requirements under the Procedures and Guidelines for Check Requests Policy (ACC-01) are adhered to before processing a check request.
3. System Security and Law Enforcement Department make sure that their staff is aware of all the requirements under policy HR 6, including obtaining the approval of the Training and Development Department for all professional membership forms before submitting for payment.
4. The P-Cardholder in the Information Security Department exercise due care in recording the purchase card transactions and the Approving Official should continue to review the entries in the P-Card system to minimize, if not totally eliminate, any error.

FINANCIAL IMPACT

There is no financial or budgetary impact.

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 July 1, 2019 to September 30, 2019 (Report No. 20-AUD-08)

Attachment B: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2019 to December 31, 2019 (Report No. 20-AUD-11)

Prepared by: Asuncion Dimaculangan, Senior Auditor (213) 244-7311
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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
July 1, 2019 to September 30, 2019**

Report No. 20-AUD-08

June 11, 2020



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Metro

DATE: June 11, 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 July 1, 2019 to September 30, 2019 (Report No. 20-AUD-08)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2019 to September 30, 2019. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) including its Board of Directors 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 5 of the 48 expenses reviewed:

- Inadequate documentation of Purchase Card transaction
- P-Cardholder mistakenly listed as Business Unit Coordinator
- Employee's sponsored travel expenses not being reimbursed to Metro after ten months of the event
- Non-compliance with Travel and Business Expense policy

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
July 1, 2019 to September 30, 2019**

Office of the Inspector General **Report No. 20-AUD-08**

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, General Services, Communications, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supports.

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2019 to September 30, 2019. For this period, miscellaneous expenses totaled \$1,854,681¹ with 739 transactions. We selected 48 expense transactions totaling \$393,886 for detail testing. Thirty of the expense transactions were randomly selected, 6 were selected due to their large dollar amounts and the remaining 12 were judgmentally selected for an expanded review of Business Travel (Account 50917), which was the focus of this quarter's review. As a result, we examined 20 travel expenses with a total amount of \$39,244 out of 48 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 five transactions.

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

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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1. Inadequate Documentation of Purchase Card Transaction

Rail Transit Operations Expo Line Division 14 General Clerk, who is the P-Card holder, normally buys car wash vouchers from the local car wash company, and provides the vouchers to Metro staff when they go to the local car wash company to have Metro cars washed. The P-Card holder maintains a log book to keep track of the vouchers when they are used.

Our review of a sampled transaction for the purchase of car wash vouchers of \$216 through P-Card by Division 14 on July 1, 2019 found that it lacked adequate documentation to support the payment as required by Metro P-Card policy. The only supporting document we found for the purchase was a credit card receipt that only showed the total dollar amount. The receipt did not show the number of car wash vouchers being purchased, the type of car wash services, or the unit price per car wash, or the license plate number of the Metro car washed.

This issue occurred because the P-Cardholder assumed that the log book and the receipt were adequate to support the transaction, even though it was not itemized.

Metro Purchase Card Program is designed to streamline and simplify the purchasing and payment process for small dollar transactions. The Purchase Card (P-Card) may be used to purchase goods and limited services. According to the P-Card policy, adequate documentation is required to submit for the support of all transactions and related receipts should be itemized.

With the receipt not being itemized, we were unable to verify if the amount charged to the P-Card was accurate or for a Metro vehicle. We recommend that the P-Cardholder should ask for the itemized receipt whenever prepaid car wash vouchers are purchased. Both the P-Cardholder and Approving Official should ensure that all P-card transactions are supported with adequate documentation.

2. P-Cardholder Mistakenly Listed as Business Unit Coordinator

Criteria: According to Metro’s Purchase Card Rules and Guidelines, “a *Business Unit Coordinator may not be assigned as a P-Cardholder.*” This is to maintain separation of responsibilities and to have strong internal controls over the P-Card Program.

The Business Unit Coordinator (BUC) acts as the focal point for all matters related to the P-Card within the Business Unit. The BUC is responsible for proper execution of the program. Specifically, the BUC is responsible for overseeing the P-Cardholder and Approving Official’s compliance with the P-Card Program requirements and restrictions, and ensuring that monthly statements are fully reconciled and all charges are supported by an itemized receipt.

Our review of Communications Department’s P-Card Log in August 2019 found that the Executive Secretary of the Chief Communications Officer was listed as both the BUC and the P-Cardholder. This is against the program policy as there is no segregation of duties and responsibilities.

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The Department's Administration and Financial Services Manager explained that the P-Cardholder mistakenly listed her name in the log. She assured us that they will correct the error in their future P-Card logs. We checked with the Agency Program Coordinator and based on the list he provided, we confirmed that the said Department Manager is the BUC as well as the Approving Official, which is allowed based on P-Card Rules and Guidelines.

In our prior audit of miscellaneous expenses for the period October to December 2018 (20-AUD-01), we had a similar finding and this issue was addressed by the Administration and Policy group in the Procurement Department. They instituted a Metro Purchase Card Program Quarterly Newsletter, which is being sent to all program participants in which policy reminders, such as separation of roles, and other policy topics are addressed. To date, this is still being done quarterly, in addition to the training they regularly conduct for the employees.

It is important that all information in the P-Card Log are listed correctly to avoid confusion and to clearly define the responsibilities of the participants.

3. Employee's Sponsored Travel Expenses Not Being Reimbursed to Metro after Ten Months of the Event

Our review found that an employee's sponsored travel expenses had not been reimbursed to Metro after ten months of the event. An employee at the Office of Extraordinary Innovation attended an Infrastructure Forum as a panel speaker in New York from June 12-13, 2019. The sponsoring organization advised him that they would cover his travel, two-night accommodation and registration fee. He was instructed to book his flight first, which will be reimbursed after the conference. He made travel arrangements with Metro's Travel Program Administrator where Metro paid for the cost of his round-trip ticket for \$459.60.

We checked with the employee if the sponsor had reimbursed Metro for his air fare because it has been over ten months since June 2019. He stated that he would follow up with the sponsor and would advise us once a check is issued to Metro. As of this report, Metro has not received the reimbursement check from the sponsor organization.

For sponsored travels, the Department should follow up and determine if all expenses were actually paid by the sponsoring organization. In cases where Metro advanced the travel expenses, the Department should ensure that Metro is reimbursed promptly. This needs to be automated to track. Possibly the new travel on line system could have an enhancement to track it for all travel identified as "Sponsored" or the system in Accounting might have a capability to track this.

Also, since this was sponsored travel, the Department should ensure that they are in compliance with Ethics rules. The Department Head said that they always follow all the requirements to comply with the rules. The employee added that they had consulted with Ethics on specific instances when sponsorship of travel is supported by a single firm or group of firms. Currently,

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however, the Travel and Business Expense (FIN 14) policy does not include guidelines on sponsored travels even though the Ethics Department provided input to update the Travel Policy to include that information a year ago. The Travel Program Administrator informed us that FIN 14 is currently under review to include the correct instructions for sponsored travels. This policy should be updated now to include the information already provided by the Ethics Department.

4. Non-Compliance with Travel & Business Expense Policy

For this quarter from July 1, 2019 to September 30, 2019, we performed an expanded review of Business Travel expenses. The total Business Travel expenses for the quarter was \$142,339, from which we sampled 20 transactions in the amount of \$39,244 and examined their supporting documents.

The following is the summary of Business Travel expenses by Cost Center from July 1, 2019 to September 30, 2019:

Cost Center	Cost Center Name	Business Travel	
		Total Amount	Sample Amount
3320	Vehicle Technology & Acquisition	\$ 18,231	\$ 6,097
9230	Systems Architecture & Technology	11,284	1,676
2220	Congestion Reduction	10,879	7,843
8010	Project Management, Transit	8,731	675
1010	Board Admin	6,710	2,630
3043	Rail Vehicle Acquisition	6,621	1,342
3936	Rail Transit Operations Instruction	5,547	2,379
2010	Chief Executive Office	5,211	2,320
3910	Exec. Director, Maint. & Eng.	5,022	4,776
7119	Metro Art & Design	3,974	3,974
3945	Rail Fleet Services Instruction	2,324	2,324
8320	Major Capital Project Engineering	1,370	1,370
2031	Office of Extraordinary Innovation	1,317	775
4510	Exec. Office Real Estate, Transit Oriented	949	419
3240	Operations Central Instruction	750	419
7160	Community Relations	225	225
Others	Below \$3,000 and/or No Sample	53,194	-
	Total	\$ 142,339	\$ 39,244

Our review of Business Travel expenses found that the 20 sampled transactions generally complied with Metro policies. However, we found issues on the following transactions:

a. No Justification Memo for Lodging in Excess of Allowable Rate

Criteria: The Travel and Business Expense (FIN 14) policy states that hotel lodging and meals will be reimbursed based on the maximum published by the U.S. Department of State Standardized Regulations “Maximum Travel Per Diem Allowances for Foreign Areas.” An exception to the lodging dollar limit may be made for conference hotels or close proximity to the final business destination. In cases when lodging exceeds the allowable rate, the traveler is required to submit a justification memo approved by the Executive Officer.

Our review found that an employee at Communications, Metro Art and Design, attended the Design & Culture Committee Meeting on June 8, 2019 and participated as a speaker at the UITP Global Public Transport Summit which was held in Stockholm, Sweden, from June 9 to 12, 2019. Her TBE Report included hotel reimbursement of \$3,105.00 for six nights from June 7 to 13, 2019. The hotel rates before tax ranged from \$427.00 to \$532.00 per night. These rates were more than double the allowable rate before tax of \$203.00 per night. The total amount in excess of the hotel per diem was \$1,555.00 for six nights. No justification memo for the excess lodging was on file.

We also noted that while the Travel Request/Authorization (TA) was approved in January 2019, the hotel was booked on May 25, 2019 – less than two weeks before the employee’s departure to Sweden on June 6, 2019. This might be the main reason why the hotel rates were higher, considering that the month of June was a high season for travel.

The employee explained that the conference organizers changed the speaking date in late April 2019 and she had to revise the TA on May 1, 2019. She also stated that due to her hectic work schedule that month, she was unable to finalize her hotel plans until May 25, 2019. She added that the conference was overbooked and there were very few hotel rooms available, but she made sure that she selected the least expensive single-person hotel room.

The employee and the Travel Program Coordinator confirmed that there was no memo of justification for the excess lodging. The former assumed that it was approved when she booked her accommodation through the new Concur online system used by Metro for travel. It was her understanding that based on the notification she received from the online system, along with conversations with the Travel Office, her travel arrangement was already reviewed and approved and was, therefore, in full concurrence with the Agency requirements. The Travel Program Coordinator acknowledged that there was an oversight in this matter.

The employee submitted the justification memo to the Travel Program Administrator after the Chief Communications Officer approved it on March 13, 2020.

It is important for the employee to make travel arrangements as far in advance as possible to ensure that travel is booked based on the most economical means. A justification memo should be included in the TBE Report whenever there are exceptions that require the approval of the

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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traveler's Supervisor. It is also imperative for the Travel Program Administrator to review the TBE reports for accuracy, complete documentation, and compliance with the Company policy.

b. Non-Business Expense Not Deducted from Travel and Business Expense (TBE) Report

Criteria: The policy requires that all travel costs incurred for personal reasons shall be settled by the traveler through a check payment or through the TBE form by subtracting the personal cost from any monies due the traveler.

The TBE Report of the same employee at Metro Art and Design mentioned in item a. above included meals for \$41.74 on the date of her return flight to Los Angeles on June 21, 2019. However, this meal was incurred in Copenhagen, Denmark where she proceeded for personal travel after attending the Summit in Stockholm, Sweden.

The employee assumed that this was covered by the policy which states that *“the per diem for the first and last days of foreign travel is 75% of the per diem or actual costs not to exceed 100% of the per diem if the first and/or last days of travel include breakfast, lunch or dinner.”* This policy did not apply to her meals on June 21, 2019 because this was incurred while she was on vacation and was not on official duty anymore. Had she returned to United States after the Summit in Sweden, the last day of her official business travel would have been June 13, 2019 – and all expenses incurred on that day were considered valid travel expenses, including her meals of \$137.78. The employee explained that the TBE was approved by the Travel Program Administrator and she believed then that everything was in order.

The Travel Program Administrator acknowledged that this was a non-business expense and should have been deducted from the TBE Report. The employee eventually paid Metro \$41.74 on March 13, 2020.

c. Late Submission of Travel and Business Expense Report

Criteria: 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.”*

An employee at System Security and Law Enforcement attended a local training from December 3 to December 7, 2018 but did not submit his TBE Report until August 2019 (eight months later). His TBE Report was for mileage reimbursement in the amount of \$287.16.

The employee stated that his supervisors initially advised him that he was not entitled to mileage reimbursement. After consultation with his Union, the issue was resolved and it was determined that he could be reimbursed for mileage. However, it seemed that no one in his department knew how to do the paperwork, and he had to wait for the supervisor and union representatives to learn how to fill out the form.

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It is important that TBE 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. Metro should continue to encourage employees to attend the training on TBE and remind them of Metro's travel policy including to book tickets early, and to ensure employees submit their reports timely and accurately or deny the request.

CONCLUSION

The miscellaneous expenses we reviewed for the period of July 1, 2019 to September 30, 2019 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for five of the expenses reviewed, requirements were not followed regarding the compliance with policies on Purchase Cards and travel and business expenses.

RECOMMENDATIONS

We recommend that:

1. The Rail Transit Operations Expo Line Division 14 should ensure that all P-Card transactions are supported with adequate documentation. The Approving Official should require the P-Cardholder to obtain itemized receipts to support all P-Card purchases.
2. The Communications Department should:
 - a. Ensure that P-Card logs are submitted according to P-Card Rules and Guidelines and all information are listed correctly, such as the name of the Business Unit Coordinator.
 - b. Remind staff to book their accommodation as far in advance as possible to take advantage of lowest possible hotel rates and to avoid lodging in excess of the allowable rates. In cases where accommodation in excess of allowable rate cannot be avoided, submit a justification memo approved by the Executive Officer. Encourage staff to attend TBE training.
3. The Office of Extraordinary Innovation should (a) follow up reimbursement from the sponsoring organization, and (b) monitor sponsored travels where Metro advanced the payment for expenses to ensure that the Agency is reimbursed promptly.
4. The System Security and Law Enforcement Department should encourage staff to attend the training on TBE and remind them of Metro's travel policy, and to ensure that employees submit their reports timely and accurately.

5. The General Services – Administration should:
- a. Perform detailed review of Travel and Business Expense (TBE) reports and supporting documents to ensure that reports are accurate, complete, and within applicable policies.
 - b. Coordinate with Information Technology Services to add a feature in the TBE online system where it would automatically alert the traveler to indicate the reason/justification for any exception from the policy and to create a feature to track sponsored travel reimbursement.
 - c. Update TBE policy to include rules and guidelines on sponsored travels.
 - d. Continue to conduct training on FIN 14 to ensure employees are refreshed from time to time for the compliance with Metro travel policies and procedures.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On April 24, 2020, we provided Metro Management a draft report. The management completed their responses that summarized their corrective actions, as shown in Attachment B.

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 July 1, 2019 to September 30, 2019**


<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 37,542	\$ 287
50903	Business Meals	114,258	619
50905	Corporate Membership	54,295	295
50908	Employee Relocation	6,020	0
50910	ER Mileage / Parking	2,946	0
50912	Professional Membership	67,845	851
50914	Schedule Checkers	1,869	0
50915	Seminar and Conference Fee	135,041	4,297
50917	Business Travel	142,339	39,245
50918	Advertising	627,413	143,864
50930	Employee Activities and Recreation	0	0
50999	Other Miscellaneous Expenses	<u>665,113</u>	<u>204,428</u>
	Total	<u>\$1,854,681</u>	<u>\$ 393,886</u>

Management Comments to Draft Report



Metro

Interoffice Memo

Date	May 28, 2020
To	Karen Gorman Inspector General
From	James T. Gallagher  Chief Operations Officer
Subject	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 20- AUD-08)

Operations Management received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from July 1-September 30, 2019 in the Rail Transportation department within Operations. The report includes the following recommendation:

1. We recommend that the Rail Transit Operations Expo Line Division 14 should ensure that all P-Card transactions are supported with adequate documentation. The Approving Official should require the P-Card holder to obtain itemized receipts to support all P-Card purchases.

Although Operations personnel was able to provide the necessary back-up documentation to support the \$216 purchase of car wash vouchers for Metro non-revenue vehicles on July 1, 2019, we agree that all P-Card transactions must be supported with adequate documentation at the time that P-card monthly reconciliation reports are submitted to Accounting. Effective immediately, the Sr. EO of Rail Transportation will require that all P-Card holder transactions, including the purchase of car wash vouchers, will be supported by itemized receipts along with the log of Metro staff who are issued vouchers to effectively comply with P-Card program policies.

CC: Yvonne Zheng, Sr. Mgr., Audit
Bernard Jackson, Sr. EO, Rail Transportation
Patricia Alexander, Service Operations Superintendent
Diane Corral-Lopez, EO, Operations Administration
Nancy Alberto-Saravia, Director, Finance & Administration

Management Comments to Draft Report



Metro

Interoffice Memo

Date	June 4, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of Inspector General
From	Yvette Raposo Chief Communications Officer
Subject	Audit of Miscellaneous Expenses - July to September 2019 (20-AUD-08)

OVERVIEW

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

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

The Communications Department should:

- a. *Ensure that P-Card logs are submitted according to P-Card Rules and Guidelines and all information are listed correctly, such as the name of the Business Unit Coordinator.*
- b. *Remind staff to book their accommodation as far in advance as possible to take advantage of lowest possible hotel rates and to avoid lodging in excess of the allowable rates. In cases where accommodation in excess of allowable rate cannot be avoided, submit a justification memo approved by the Executive Officer. Encourage staff to attend TBE training.*

On the issue of the P-Card, the P-Cardholder inadvertently listed herself as the Business Unit Coordinator. That was resolved and corrected on 02/25/2020. We will review the P-Card Log to avoid similar errors in the future.

Communications agrees with the recommendation, related to travel and shall remind staff to book their accommodations as far in advance as possible, submit justification memos for excess lodging and encourage TBE training attendance.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	June 3, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of Inspector General
From	Joshua L. Schank <i>JLS</i> Chief Innovation Officer
Subject	Employee's Sponsored Travel Expenses not being Reimbursed to Metro after Ten Months of the Event

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:

1. *The Office of Extraordinary Innovation should (a) follow up reimbursement from the sponsoring organization, and (b) monitor sponsored travels where Metro advanced the payment for expenses to ensure that the Agency is reimbursed promptly.*

Office of Extraordinary Innovation concurs with the recommendations and will implement the following corrective actions:

- OEI will work with the event's coordinator on a written agreement regarding travel expenses (airfare/hotel) and honoraria.
- Once travel arrangements are agreed upon, OEIs will allow the event's coordinator to book the travel arrangements, whereas the fare and hotel expenses are being paid directly from the sponsor and not being paid in advanced by LA Metro's travel budget.
- When there is an agreement for a paid honorarium, the agreement will state to pay Metro directly and not the employee, and the agreement will allow 30 days for honorarium/payment to be paid in full to Metro.
- OEI will act as the tracking device and contact Accounts Payable for the status of the payment, until Accounting has implemented an automated tracking device.

Management Comments to Draft Report

June 3, 2020
Audit's Recommendation to OEI re
Employee's Sponsored Travel Expenses
Page 2

- If the funds are not received from the event's organization within the 30 days as agreed upon, OEI's analyst would contact the organization's event coordinator to follow-up with any additional information that is needed to complete the banking transaction.


Cc:
Karen Gorman, Inspector General, Office of the Inspector General
Mark Vallianatos, EO, Office of Extraordinary Innovation
Tham Nguyen, Director, Office of Extraordinary Innovation
Colin Peppard, Director, Office of Extraordinary Innovation

Management Comments to Draft Report



Metro

Interoffice Memo

Date	May 14, 2020
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Robert Green, Chief System Security & Law Enforcement Officer 
Subject	Reponse to Draft Report (No. 20-AUD-08): Audit of Metro Miscellaneous Expenses From July 1, 2019 to September 30, 2019

Background

The memo is in response to draft report Audit of Metro Miscellaneous Expenses (Report No. 20-AUD-08). The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from July 1, 2019 to September 30, 2019. The sampled transactions reviewed included 48 expenses in which it was determined that the transactions generally complied with Metro policies, were reasonable and adequately supported by required documents. However, the results of the audit found the issues listed below on 5 of the 48 expenses reviewed. The highlighted issue pertains to System Security and Law Enforcement:

- Inadequate documentation of Purchase Card transaction
- P-Cardholder mistakenly listed as Business Unit Coordinator
- Employee's sponsored travel expenses not being reimbursed to Metro after ten months of the event
- **Non-compliance with Travel and Business Expense Policy**

Results of Audit: Late Submission of Travel and Business Expense Report

An employee with System Security and Law Enforcement attended a local training seminar during December 3 to December 7, 2018 but did not turn in their TBE (Travel Business Expense) Report until August 2019. The TBE report was for mileage reimbursement in the amount of \$287.16 and was applied against a different fiscal year.

The interview revealed that the employee originally was misinformed by their supervisor of their eligibility for mileage reimbursement. Once confirmed that the training was eligible both the supervisor and staff did not know how to complete the form.

Management Comments to Draft Report

Recommendation:

OIG recommends that System Security and Law Enforcement Department should encourage staff to attend training on TBE and remind them of Metro's travel policy, and to ensure that employees submit their reports timely and accurately.

Corrective Action:

System Security and Law Enforcement concurs with the recommendation and has implemented the following corrective actions:

- The employee who violated the TBE policy has received the appropriate training
- All Supervisors, Managers, Directors for each functional area should attend TBE training
- All travel requests must be submitted to the Chief of System Security & Law Enforcement *prior* to attending a training/conference etc.
- Upon travel approval by Executive Management (or designee), approved request must be submitted to Finance Manager to track and monitor on-time reporting
- Upon approval, Managers and Directors will require requestor to attend TBE training

cc:

Karen Gorman, Inspector General, Office of the Inspector General

Aston Greene, EO, System Security & Law Enforcement


Ron Dickerson, DEO, System Security & Law Enforcement

Jose Ortiz, Director, Transit Security/System Security & Law Enforcement

Management Comments to Draft Report


Metro

Interoffice Memo

Date	May 29, 2020
To	Yvonne Zheng Office of Inspector General 
From	Steve Jaffe DEO, General Services
Subject	Audit of Metro Miscellaneous Expenses from July 1, 2019 to September 30, 2019 (Report No. 20-AUD-08)

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 July 1, 2019 to September 30, 2019 (Report No. 20-AUD-08).

General Services agrees with all the recommendations on audit report.

Recommendation	Response
1. Perform detailed review of Travel and Business Expense (TBE) reports and supporting documents to ensure that reports are accurate, complete, and within applicable policies.	Travel Program Administrator will continue to follow recommendation and apply to daily review of TBE reports.
2. Coordinate with Information Technology Services to add a feature in the TBE online system to require the traveler to include the reason/justification for any exception from the policy, and a feature to track sponsored travel reimbursement.	General Services will continue to work with ITS to implement changes and add features to the online program in phases throughout FY2021.
3. Update TBE policy to include rules and guidelines on sponsored travels.	Travel Program Administrator will begin work with Accounting in June-2020, to develop a set of rules and guidelines for sponsored travel to be included in FIN14 policy through standard policy review and approval process. Rules and guidelines will also be posted on the Travel Services intranet once approved.
4. Continue to conduct training on FIN 14 to ensure employees are refreshed from time to time for the compliance with Metro travel policies and procedures.	Travel Program Administrator will continue monthly training on Metro's TA/TBE Electronic System, including transition to live remote platform, such as Microsoft Teams. This training will continue to provide a refresher on FIN 14 travel policies and procedures. The next scheduled class is June 16, 2020.

cc: Joanne Peterson, Chief Human Capital and Development Officer
Yolanda Limon, Interim Sr. Manager, Facilities Maintenance
Maria Conchita Banuelos, Travel Program Administrator

Final Report Distribution

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Audit Support Manager
Manager, Records & Information Management

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
October 1, 2019 to December 31, 2019**

Report No. 20-AUD-11

June 18, 2020



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Metro

DATE: June 18, 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 October 1, 2019 to December 31, 2019 (Report No. 20-AUD-11)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2019 to December 31, 2019. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) including its Board of Directors 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 45 expenses reviewed:

- Business Meals Paid without Proper Justification Memo
- Non-Compliance with Policies on Professional Membership
- Incorrect Recording of Purchase Card Transactions
- Professional Membership Incorrectly Recorded as Corporate Membership

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 are adequate to ensure that expenses are documented and properly accounted for.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
October 1, 2019 to December 31, 2019**

Office of the Inspector General **Report No. 20-AUD-11**

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, System Security and Law Enforcement, Information Technology Services, and others.
- Reviewed invoices, receipts, justification memos, and other supports.

This audit covered a review of Metro miscellaneous expenses for the period of October 1, 2019 to December 31, 2019. For this period, miscellaneous expenses totaled \$1,619,696¹ with 801 transactions. We selected 45 expense transactions totaling \$486,679 for detail testing. Thirty of the expense transactions were randomly selected, 3 were selected due to their large dollar amounts, 3 were judgmentally selected to represent other accounts and the remaining 9 were judgmentally selected for an expanded review of Corporate Membership (Account 50905), which was the focus of this quarter's review. As a result, 10 of the 45 transactions examined were for corporate membership expenses totaling \$245,065. 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 Department.

1. Business Meals Paid without Proper Justification Memo

Our review found that a check for \$4,927.50 was made on October 25, 2019 to pay Salt of the Earth, Inc. for catering services at Metro’s Women’s Business Summit held on October 30, 2019. The justification memo attached to the check request from Board Relations, Policy and Research Department, was a memo for Purchase Card transactions, not for check payments. The check was issued to the vendor despite of the absence of the proper justification memo.

Section 1.1 (aa) of Accounting Procedures and Guidelines for Check Requests (ACC-01) states that disbursements for business meals for events and business meetings may be processed via check request in accordance with established signature authority limit. *“Such expenses must be accompanied with receipts, account coding and a detailed justification memo signed by the responsible department head.”*

After we raised this issue to Accounting Department, the Principal Accountant acknowledged that there was an oversight. After we brought this issue to her attention, on April 3, 2020, she asked the Department’s Senior Manager, Transportation Planning, to submit the required memo signed by the authorized officer. An email was received on April 14, 2020 indicating the approval of the Chief Policy Officer on the said check request. The Senior Manager will submit the actual justification memo when she gets the wet signature of the Chief Policy Officer.²

It is important that check payments for business meals are supported by a justification memo to make sure that disbursements are reasonable, allowable, and have valid business-related purpose.³

Accounting should ensure that all expense transactions are in accordance with Metro’s policies and procedures before processing payment. As discussed in Section 3 of ACC-01, Accounting is responsible for the review of the check request for completeness, charges to proper accounts, authorized signatories, availability of funds, and compliance with the Check Request procedures and guidelines.

2. Non-Compliance with Policies on Corporate and Professional Membership

Our review found that a professional membership of \$215 for Chief Administrative Analyst, System Security and Law Enforcement Department, in the American Society for Industrial Security International was paid through Purchase Card on September 17, 2019. The membership form was signed and approved by the Department Head on September 12, 2019

² Note that Metro should consider abandoning wet signatures for digital signatures to enable timely processing of documents in Covid-19 era and similar circumstances

³ Note that during the Covid-19 era, any expenses for meals may be disallowed.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
October 1, 2019 to December 31, 2019**

Office of the Inspector General **Report No. 20-AUD-11**

but it was not approved by the Training and Development (T&D) Department, as required in HR 6 policy. According to the employee, she believes that she got the signature of T&D on the form but could not find the documentation.

The Membership form was later signed and approved by T&D Department on March 10, 2020, after we brought the issue to the P-Cardholder's attention.

Section 2.2 of the Corporate and Professional Membership (HR 6) Policy states, "*The requesting employee must complete and submit to T&D the Corporate and Professional Membership Information form, membership application or renewal notice, and method of payment (electronic check request or Purchase Card).*"

The policy requires that individual professional membership should be signed and approved by the Department Head and T&D.

Pursuant to HR 6 policy, T&D Department is tasked to approve request for professional membership and maintain logs of member organizations, among other responsibilities. It should be noted that if T&D Department is bypassed, it cannot analyze and update its list of member organizations. Therefore, the System Security and Law Enforcement Department should ensure that all transactions related to professional memberships obtain the proper approval from the T&D Department.⁴

3. Incorrect Recording of Purchase Card Transactions

We found that two Purchase Card (P-Card) transactions in the Information Security Department for the month of November 2019 were incorrectly recorded.

Pursuant to a discussion with the P-Cardholder, who is a Senior Manager, Systems Projects, he wrote the correct account numbers for all transactions in the P-Card log. The first two transactions in the P-Card log showed credit card charges of \$2,068.25 for the purchase of equipment (account number 53102) and \$275.00 for a professional membership (account number 50912). However, when he posted them to the automated P-Card system, he inadvertently interchanged the account numbers for the said transactions, thereby resulting in an understatement of \$1,793.25 in the Acquisition-Equipment account and an overstatement in the professional membership account for the same amount.

We brought this issue to Accounting Department for the correction of the error.

⁴ 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
October 1, 2019 to December 31, 2019**

Office of the Inspector General **Report No. 20-AUD-11**

4. Professional Membership Erroneously Recorded as Corporate Membership

For this quarter, which covers the period from October 1, 2019 to December 31, 2019, we performed an expanded review of Corporate Membership. The total Corporate Membership expense for the quarter was \$268,170, from which we sampled 10 transactions in the amount of \$245,065 and examined their supporting documents.

The following is the summary of Corporate Membership by Cost Center from October 1, 2019 to December 31, 2019:

Cost Center	Organization	Corporate Membership	
		Population	Sample
(2410) Board Relations, Policy & Research			
	American Public Transp Association (APTA)	\$ 138,500	\$ 138,500
	LA Area Chamber of Commerce	23,955	11,800
	Los Angeles Business Council	500	-
	Los Angeles County Business Federation	50,000	50,000
	Los Angeles Economic Development Corp.	10,000	-
	Monrovia Chamber of Commerce	450	-
	SCLC, Southern California	20,000	20,000
	Sub-Total	243,405	220,300
(4410) Strategic Financial Planning			
	Coalition For America's Gateways & Trade Corridors	6,500	6,500
(6240) Talent Acquisition			
	Human Capital Institute	17,200	17,200
Other Cost Centers - (Reclassified - See Below)		1,065	1,065
Total		\$ 268,170	\$ 245,065

Our review of Corporate Membership expense found that the 10 sampled transactions generally complied with Metro policies. However, we found four transactions with a total amount of \$1,065.00 that were incorrectly recorded as Corporate Membership, instead of Professional Membership, as shown below:

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
October 1, 2019 to December 31, 2019**

Office of the Inspector General **Report No. 20-AUD-11**

Cost Center	Organization	Amount
Major Capital Proj. Eng.	American Society of Civil Engineers (ASCE)	\$ 300
Systems Engineering	American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)	280
Engineering Management	American Society of Civil Engineers (ASCE)	245
System Sec. & Law Enforcement	American Society for Industrial Security (ASIS)	240
	Total	\$ 1,065

The above transactions were incorrectly recorded as Corporate Membership, instead of Professional Membership, due to misinterpretation of the nature of the membership. The staff assumed that membership in an organization should be posted to Corporate Membership or Account # 50905.

Based on Metro’s Chart of Accounts, “*Corporate Membership is used for membership fees or dues paid wherein Metro is a member in public transportation related organizations. This account excludes professional membership fees or dues paid by Metro for its employees.*”

Professional Membership (Account # 50912), as described on the Membership Form, “*is a job-related membership maintained by an LACTMA employee in a professional, technical or industry trade organization that is job-related, required for professional certification, or is in alignment with the agency’s vision, mission and goals.*”

Metro’s Chart of Accounts describes each account and staff should use the correct account to ensure accurate and reliable financial data.

We advised the staff in the concerned departments about the incorrect account and they agreed to comply and use the correct account in the future. We communicated these transactions with Accounting, which promptly made reclassification to the correct account. Since the above transactions were timely corrected, we will not make recommendations on this miscoding issue.

CONCLUSION

The miscellaneous expenses we reviewed for the period of October 1, 2019 to December 31, 2019 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for two of the expenses we reviewed, requirements were not followed concerning compliance with policies on check requests and professional membership, and five transactions were incorrectly recorded.

In light of the Covid-19 era and Metro's current financial circumstances, we recommend that miscellaneous expenses are reviewed at the highest levels and consider eliminating, renegotiating down or deferring for future consideration.

RECOMMENDATIONS

We recommend:

1. Board Relations, Policy and Research Department, submit a detailed justification memo signed by a responsible department head, along with other required documents, when preparing check requests for business meals.
2. Accounting Department continue to ensure that all requirements under the Procedures and Guidelines for Check Requests Policy (ACC-01) are adhered to before processing a check request.
3. System Security and Law Enforcement Department make sure that their staff is aware of all the requirements under policy HR 6, including obtaining the approval of the Training and Development Department for all professional membership forms before submitting for payment.
4. The P-Cardholder in the Information Security Department exercise due care in recording the Purchase Card transactions and the Approving Official should continue to review the entries in the P-Card system to minimize, if not totally eliminate, any error.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On June 5, 2020, we provided Metro Management a draft report. On June 16, 2020, the management completed their responses that summarized their corrective actions, as shown in Attachment B.

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 October 1, 2019 to December 31, 2019**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 32,443	\$ 6,930
50903	Business Meals	86,620	5,904
50905	Corporate Membership	268,170	245,065
50908	Employee Relocation	0	0
50910	ER Mileage / Parking	3,969	0
50912	Professional Membership	13,955	2,193
50914	Schedule Checkers	1,116	0
50915	Seminar and Conference Fee	117,212	1,460
50917	Business Travel	202,715	3,663
50918	Advertising	470,458	109,782
50930	Employee Activities and Recreation	575	575
50999	Other Miscellaneous Expenses	<u>422,463</u>	<u>111,107</u>
	Total	<u>\$1,619,696</u>	<u>\$ 486,679</u>

Management Comments to Draft Report



Metro

Interoffice Memo

Date	June 16, 2020
To	Yvonne Zheng Senior Manager, Audit, Office of Inspector General
From	Robert Green, Chief System Security and Law Enforcement Officer <i>RG</i> Elba Higueros, Chief Policy Officer <i>EH</i> Jesse Soto, Executive Officer, Finance/Controller <i>Jesse Soto</i>
Subject	Draft report: Statutorily Mandated Audit of Miscellaneous Expense (Report No. 20- AUD-11)

OVERVIEW

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

We recognize that corrective action must be taken to ensure that requirements must be followed concerning compliance with policies on check request and professional membership, and that professional membership and Corporate membership are to be recorded correctly.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. Board Relations, Policy and Research Department, submit a detailed justification memo signed by a responsible department head, along with other required documents, when preparing check request for business meals.

Management Response: Agree

The Senior Manager, Transportation Planning will ensure that a detailed justification memo signed by the responsible department head and other required documents are submitted when preparing a check request.

2. Accounting Department continue to ensure that all requirements under the Procedures and Guidelines for Check Request Policy (ACC-01) are adhered to before processing a check request.

Management Response: Agree

Management Comments to Draft Report

The Senior Director of Accounting will continue to ensure that the staff continues to adhere to the Check Request Policy (ACC-01) before processing a check request.

3. System Security and Law Enforcement Department make sure that their staff is aware of all requirements under policy HR 16, including obtaining the approval of the Training and Development Department for all professional membership forms before submitting for payment.

Management Response: Agree

The Manager, Administration and Financial Services will ensure that the staff is aware of the requirements under policy HR 6 and that approval of the Training and Development Department for all professional membership forms is obtained before submitting for payment.

4. The P-Cardholder in the Information Security Department exercise due care in recording the Purchase Card transactions and the Approving Official should continue to review the entries in the P-Card system to minimize, if not eliminate, any error.

Management Response: Agree

The Manager, Administration and Financial Services will ensure that the P-Cardholder in the Information Security Department exercise due care in recording the Purchase Card transactions.

The Approving Official will continue to review the entries in the P-Card system to reduce and prevent the risk of error.

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

CC: Nalini Ahuja, Chief Financial Officer, Finance and Budget
Juan Cordero, Senior Director of Accounting
Juliet Glindro, Manager, Accounting
Aston Greene, EO, Operations Admin. System Security & Law Enforcement
Imelda Hernandez, Chief Admin Analyst, System Security & Law Enforcement
Claudia Galicia, SR Manager, Transportation Planning

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Executive Officer, Finance/Controller
Chief System Security and Law Enforcement Officer
Chief Policy Officer
Chief Information Technology Officer
Chief Auditor (Interim)
Audit Support Manager
Manager, Records & Information Management

Audit of Misc. Expenses July-Sept 2019 & Oct-Dec 2019

OIG Report No. 20-AUD-08 & 20-AUD-11

Karen Gorman, Inspector General

August 19, 2020



Objectives

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 are adequate to ensure that expenses are documented and properly accounted for.

Results

Based on our sample reviews for the covered period, the expenses incurred generally complied with policies, were reasonable, and adequately supported by required documents.

However, we found requirements were not always followed for some expenses such as P-card use, business meal, professional membership, and business travel.

We made 9 recommendations to improve the monitoring and payment of Metro miscellaneous expenses.



Board Report

File #: 2020-0466, **File Type:** Informational Report

Agenda Number: 10.

**FINANCE, BUDGET, & AUDIT COMMITTEE
AUGUST 19, 2020**

SUBJECT: FY21 BUDGET DEVELOPMENT UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE FY21 Budget Development Update.

ISSUE

This report is part of a series of status updates on the FY21 Budget development, leading to Board consideration for adoption in September 2020. The preliminary budget plan aims to balance the budget under the economic constraints caused by COVID-19 while allocating resources to achieve Metro Vision 2028 goals in a fiscally responsible manner.

DISCUSSION

In May, Metro Board of Directors adopted a Continuing Resolution to extend FY20 Budget authorization through the first quarter of FY21 which provided an opportunity to reset the financial forecast due to the COVID-19 pandemic. All Metro activities have been reassessed to reprogram the resources available for Metro and regional activities in the upcoming year within the current economic constraints.

Budget Development Process

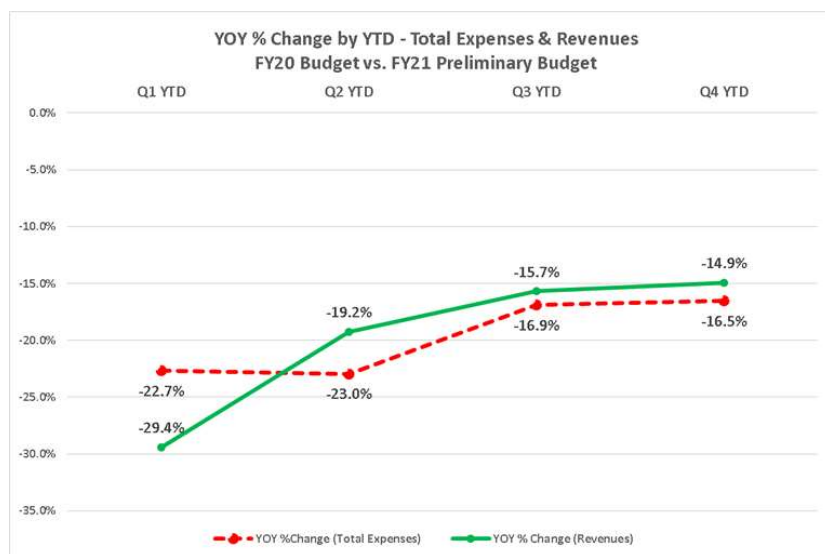
While making strides towards achieving the Metro Vision 2028 goals:

- Provide high-quality mobility options that enable people to spend less time traveling.
- Deliver outstanding trip experiences for all users of the transportation system.
- Enhance communities and lives through mobility and access to opportunity.
- Transform Los Angeles County through regional collaboration and national leadership.
- Provide responsive, accountable, and trustworthy governance within the LA Metro

organization.

Metro continues to reimagine the future of Los Angeles County and its transportation network in delivering equity, sustainability, prosperity, and better quality of life for all county residents.

The severity and uncertain duration of the COVID-19 pandemic and the rollback in the State’s reopening has had a negative impact on the Agency’s financials and operations. Metro will temporarily experience near term budget and cashflow challenges. Reimbursement from the CARES Act is included in the FY21 Preliminary Budget; however, other potential stimulus funding and its receipt are uncertain at this time.



In response, Metro is developing the budget in a measured and tailored approach with cost control measures that are essential and effective in the short term to meet the Agency’s going concern. Metro will balance the budget through the conservation of cashflow in the first half of the year and assume a steady recovery in the second half of the year.

Each program, function, and department will adjust its budget accordingly to reflect the new economic realities and progress on projects in a feasible manner as opportunities arise.

(A) Employment and Labor:

Payroll and employment are reimbursable through CARES Act and possible future stimulus. The Agency looks to protect its existing employees from the economic impact of this pandemic by retaining its workforce while controlling cost through vacancy savings and reduction overtime usage whenever applicable. Metro implemented a hiring freeze resulting in a budgeted vacancy savings assumption of \$26 million for 151 non-contract FTEs.

Agency FTEs	FY20 Budget	FY21 Preliminary
AFSCME	821	821
ATU	2,444	2,444
TCU	915	915
TEAMS	175	175
UTU	4,127	4,127
Non-Contracts	1,737	1,737
Total FTEs	10,219	10,219
Total Agencywide Represented	8,482	8,482
Total Agencywide Non-Represented	1,737	1,737
Grand Total	10,219	10,219

FY21 Preliminary Budget FTEs has remained at FY20 Budget level, with a total of 10,219 FTEs, 8,482 Agencywide represented and 1,737 Agencywide non-represented. As per the collective bargaining agreement of the represented FTEs, labor costs will adhere to existing contracts and increase by 4.5% on average. Merit-based increases for non-contract FTEs will be deferred for the first quarter.

(B) Other cost inflation:

Staff projects cost inflation to increase by 2.3%, as measured by Consumer Price Index (CPI).

(C) Transit Service:

Metro will continue to be an essential service to Los Angeles County’s population, by operating bus and rail services at levels where it supports people returning to work. Service will ramp up from initial COVID-19 Enhanced Sunday Service level in the last quarter of FY20 since April, 2020 as ridership is projected to gradually recover and demand increases. By the third quarter, NextGen and new transit modes such as MicroTransit will be implemented when possible. During this pandemic, Metro will prioritize enhanced cleaning, sanitizing, and PPE availability.

(D) Transit and Transportation Project Planning and Program Management:

Metro is committed to staying on schedule for Measure M and Measure R projects which includes building of new highways, transportation infrastructure, in addition to planning and providing funding for regional transportation activities for projects to be shovel ready.

(E) Regional Operators:

Municipal Operators will receive CARES Act funding as CARES Act allocations approved by the Board. The distributions provide double their estimated sales tax losses to maintain their funding levels and provide supplemental relief.

As the result of these assumptions and cost control strategies, the FY21 Preliminary Budget is \$6.0 billion; a 16.5% decrease from FY20 Budget of \$7.2 billion. This budget is still under development and may change as we work towards finalizing the FY21 Proposed Budget.

The following attachments provide further detail discussion on the programs and their FY21 Preliminary Budget to mitigate the financial constraint:

- Attachment A for Transportation Infrastructure Development.
- Attachment B for Metro Transit: Operations & Maintenance and State of Good Repair.
- Attachment C for Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service.

\$6.0 billion preliminary budget is summarized by program as follows:

Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	FY20 - FY21 \$ Change	FY20 - FY21 % Change
1 Transportation Infrastructure Development	\$ 2,382.4	\$ 1,486.5	\$ (895.9)	-37.6%
2 Metro Transit - Operations & Maintenance	1,839.1	1,798.6	(40.4)	-2.2%
3 Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%
4 Subsidy Funding Programs	1,404.7	1,238.6	(166.0)	-11.8%
5 Regional Rail	178.2	219.5	41.3	23.2%
6 Congestion Management	135.9	89.6	(46.3)	-34.0%
7 General Planning & Programs	168.9	155.1	(13.8)	-8.2%
8 Debt Service	534.9	509.2	(25.8)	-4.8%
9 Oversight and Admin	71.2	62.6	(8.6)	-12.1%
10 Total Expenditures	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%

Public Outreach Update

Due to the pandemic, outreach will now be conducted online with virtual meetings. The virtual forum still allows all aspects of the public participation and comply with Metro’s policy on social and physical distancing. Staff will continue to take the necessary steps to ensure engagement in a safe, thoughtful, and comprehensive community process.

Metro Special FY21 Budget Briefing - Regional Service Councils

Taking advantage of the virtual platform, we will coordinate one dedicated Special FY21 Budget Briefing for all five Service Councils to review the proposed FY21 Budget. The meeting will be an opportunity to communicate with service council members and the community to gather public input on the proposed budget. Members of the public will have an opportunity to submit comments during the budget briefing using an online comment feature and to provide live public comment by phone, in English and Spanish. The Special FY21 Budget Briefing is scheduled for September 3, 2020 at 6pm and accessible by metro.net/about/board/agenda in accordance with the Brown Act. Meeting details will be posted on metro.net/myvoice, multiple e-blasts will be sent out, and will be advertised via

digital campaign utilizing the agency’s communications channels, i.e. Facebook (FB) events on Metro’s FB page, FB page of ongoing Metro construction projects, Instagram stories, Nextdoor, Twitter posts, and TheSource.

All marketing and digital campaign efforts for the budget are underway and staff will continue to provide monthly Board updates on the FY21 Budget Outreach activities through Board adoption in September 2020. Below is the tentative schedule of the FY21 Budget Outreach for stakeholders and community meetings.

Stakeholder and Public Outreach Efforts	
Metro FY21 Budget Briefing – Regional Service Councils	Sept. 3
Technical Advisory Committee (TAC)	Sept. 2
Citizens Advisory Council (CAC)	Sept. 4 & 23
Bus Operator Subcommittee (BOS)	Sept. 15
Local Transit Systems Subcommittee (LTSS)	Sept. 17
Streets & Freeways Committee	Sept. 17
Public Hearing	Sept. 16

FINANCIAL IMPACT

This report is a status update of an overall Agency-wide proposed budget that will be presented to the Board and Board Staff for adoption consideration in September 2020. Submission of this Receive and File report will not have an immediate financial impact on the FY21 Budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan Goal # 5:

Provide responsive, accountable, and trustworthy governance within the LA Metro organization

NEXT STEPS

Staff will continue to develop and finalize the FY21 Proposed Budget. Regular updates to the Board will take place with more budget details. Metro will continue its outreach efforts to stakeholder groups for in-depth and technical discussion of transit services and transportation program priorities included in the FY21 Proposed Budget. The programs identified and funded in the budget, including any updates since the first review with the Board will be consolidated and shown in the FY20 Proposed Budget Book 14 days before the Budget Public Hearing on September 16, 2020.

ATTACHMENTS

Attachment A - Transportation Infrastructure Development

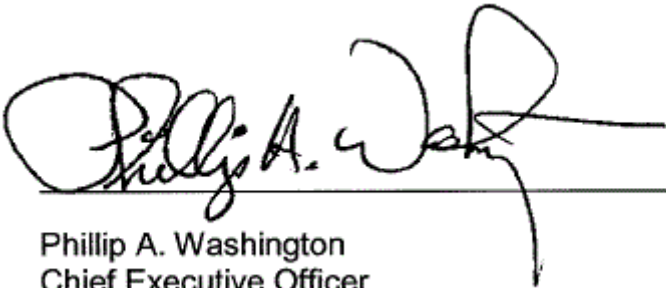
Attachment B - Metro Transit: Operations & Maintenance and State of Good Repair

Attachment C - Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service

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Phillip A. Washington
Chief Executive Officer

Transportation Infrastructure Development

The preliminary FY21 Transportation Infrastructure Development Program budget is projected at \$1.7 billion, Figure 1, and is comprised of three major groups:

1. Transit Expansion: Light Rail, Heavy Rail, Bus Rapid Transit Construction and early planning efforts before construction;
2. Highways: Frontend planning, preliminary engineering and project implementation support for highway improvement as approved in Measure R, Measure M, and non-Measure R/ Measure M highway related projects;
3. Regional Rail: Metro Regional Rail projects and Metrolink Operations / Capital Program funding.

Figure 1: FY20 vs FY21 Transportation Infrastructure Development Budget

Transportation Infrastructure Development (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference
1	Measure R/M Transit Construction	\$ 1,966.4	\$ 1,179.2	\$ (787.3)
2	Measure R/M Transit Planning	87.4	63.0	(24.4)
3	Program Control & Support	11.9	14.0	2.1
4	Transit Expansion Program Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)
5	Measure R/M Highway Projects	\$ 312.2	\$ 239.9	(72.3)
6	Non-Measure R/M Highway Projects	16.4	6.5	(10.0)
7	Highways Program Total	\$ 328.6	\$ 246.3	\$ (82.3)
8	Metro Regional Rail	\$ 66.9	\$ 90.3	23.3
9	Metrolink Operating & Capital Projects	111.3	129.2	17.9
10	Regional Rail Program Total	\$ 178.2	\$ 219.5	\$ 41.3
11	Grand Total	\$ 2,572.6	\$ 1,721.9	\$ (850.7)

Transit Expansion

A full slate of transformational rail projects is advancing in the construction and planning pipelines across multiple years as Metro continues to expand LA County's rail network. The cash flow required to minimally sustain transit construction in FY21 is proposed at \$1.3 billion.

The Transit Planning budget of \$63 million encompasses the Measure R and first decade and beyond Measure M Projects per the Ordinance. These studies will advance transit projects through the early conceptual planning and environmental clearance stages to a state of readiness for future construction activities. In doing so, Metro leverages Measure R and Measure M funds to maximize the potential for additional funding sources.

Westside Purple Line Extension (WPLE) and Division 20 Portal Widening

Purple Line Extension is a total of 9.07-mile extension of the subway line westward from Wilshire/Western terminus, segmented into 3 different sections as noted in Figure 2. WPLE Section 1 will continue advancement of tunneling and station construction activities through Mid-Wilshire. WPLE Section 2 will continue construction and tunneling activities through Beverly Hills. WPLE Section 3 will advance final design, acquisition of vital right-of-way parcels and early station construction through Westwood.

The Division 20 Portal Widening is a critical project needed to meet the headway requirements for the entire Purple Line and extension. FY21 funding will support construction of the portal, site-work and systems components.

Figure 2: Transit Expansion Projects

Transit Expansion (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Notes
1	Measure R/M Transit Construction				
2	Westside Purple Line Extension Section 1	\$ 283.5	\$ 181.2	\$ (102.3)	3.92 miles, RSD in 2023
3	Westside Purple Line Extension Section 2	312.3	121.5	(190.8)	2.59 miles, RSD in 2025
4	Westside Purple Line Extension Section 3	457.3	223.2	(234.1)	2.56 miles, RSD in 2027
5	Division 20 Portal Widening & Turnback	85.0	91.1	6.2	Downtown LA, near Arts District
6	Westside Purple Line Extension Subtotal	\$ 1,138.0	\$ 617.0	\$ (521.0)	
7	Regional Connector Light Rail Transit	\$ 220.2	\$ 144.5	\$ (75.7)	1.9 miles, RSD in 2022
8	Crenshaw/LAX Light Rail Transit	224.5	111.7	(112.8)	8.5 miles, RSD in 2021
9	Gold Line Foothill Extension Phase 2	156.2	101.5	(54.7)	12.3 miles thru Montclair, substantial completion by 2028
10	East San Fernando Valley Light Rail Transit	35.4	16.2	(19.2)	9.2 miles, NEPA clearance in FY21
11	Airport Metro Connector	68.8	80.3	11.6	Aviation/96th St Station - Crenshaw/LAX
12	Expo Light Rail Transit Close Out	3.0	1.9	(1.1)	closeout activities
13	Metro Orange Line Improvements	21.3	20.5	(0.9)	improve speed, safety, capacity
14	Systemwide	92.0	80.0	(12.0)	
15	Business Interruption Fund	7.0	5.6	(1.4)	
16	Measure R/M Transit Construction Total	\$ 1,966.4	\$ 1,179.2	\$ (787.3)	
17	Measure R/M Transit Planning				
18	West Santa Ana Branch Transit Expansion	\$ 49.0	\$ 16.2	(32.8)	4 pillar project
19	Sepulveda Transit Corridor	8.2	13.1	4.9	4 pillar project
20	Eastside Light Rail Access	9.0	6.5	(2.5)	
21	North Hollywood / Pasadena BRT Connector	3.2	5.7	2.5	
22	Eastside Light Rail Transit Extension Phase 2	9.2	4.7	(4.6)	4 pillar project
23	Green Line Extension to Torrance	2.2	8.3	6.2	4 pillar project
24	Vermont Transit Corridor	1.2	3.2	2.0	
25	Crenshaw Northern Extension	2.0	2.8	0.8	
26	North San Fernando Valley Bus Rapid Transit	3.4	2.5	(0.9)	
27	Measure R/M Transit Planning Total	\$ 87.4	\$ 63.0	\$ (24.4)	
28	Program Control & Support Total	\$ 11.9	\$ 14.0	\$ 2.1	
29	Transit Expansion Grand Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)	

Regional Connector

The Regional Connector Rail will continue station construction and tunneling activities in FY21.

Crenshaw/LAX

The Crenshaw/LAX will advance critical systems integration testing and Pre-Revenue operational activities with an anticipated substantial completion in Fall 2020.

Gold Line Foothill Extension Phase 2B

The Gold Line Foothill Authority is embarking on heavy construction.

Other Significant Transit Projects

The Orange Line BRT Improvements will finalize design, acquire right-of-way, and continue with advanced utility relocations.

The East San Fernando Valley Transit Corridor will clear NEPA in first half of FY21, making it eligible for federal grants.

The Airport Metro Connector will start solicitation for construction of the Aviation/96th Station to connect Airport People Mover to Crenshaw line.

Planning Studies for Measure R and Measure M Transit Projects

The Planning Studies preliminary FY21 budget of \$63 million encompasses the Measure R and first decade and beyond of Measure M projects. Activities for these projects include conceptual

engineering, environmental clearance, and right-of-way acquisition. Completion of the planning phase supports a state of shovel readiness to advance the project into construction.

Highways

The Highway Program is different from the Transit Construction Program in that completed projects are a non-Metro owned capital asset despite the similarities in delivery and construction installation. For most highway projects, Metro oversees the planning and early engineering phases, then hands the project over to Caltrans to execute right-of-way acquisitions and construction. Upon completion, highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance. The Highway program is comprised of the MR/MM funded projects, funding for the Sub-Regional Highway Programs, and non MR/MM funded highway projects impacting Metro operations. The sub-regional highway program funds are programmed and approved by the Board semi-annually.

Figure 3: Highways Program

Highway Program (\$ in millions)	FY20 Budget	FY21 Preliminary	Difference	Phase
1 Measure R / M Highway Projects				
2 Alameda Corridor East Grade Separations Phase 2	\$ 30.0	\$ 50.1	20.1	various
3 Interstate 605 Corridor "Hot Spot" Improvements	45.7	19.8	(25.9)	various
4 Interstate 5 North Capacity Enhance SR-14 to Kern County Line	17.2	13.5	(3.6)	construction
5 SR-57/SR-60 Interchange Improvements	23.4	6.9	(16.5)	plans, specs & estimates
6 Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Imp (South Bay)	20.7	20.6	(0.1)	various
7 Countywide Sound Wall Assessment & Constructions	25.8	15.4	(10.4)	various
8 Interstate 5 Capacity Enhancement from SR-134 to SR-170	21.9	15.3	(6.6)	construction
9 State Route 138 Capacity Enhancements	27.6	15.6	(12.0)	various
10 Interstate 5 Capacity Enhancement from I-605 to Orange County Line	25.6	15.0	(10.6)	construction
11 SR-710 North Corridor Mobility Improvements	0.8	8.3	7.5	plans, specs & estimates
12 Interstate 710 South and/or Early Action Projects	31.6	17.1	(14.4)	various
13 Interstate 105 Express Lanes	2.5	2.9	0.4	environmental
14 Interstate 405 Sepulveda Express Lanes	2.3	2.0	(0.4)	environmental
15 Highway Operational Improvements in Las Virgenes/Malibu Subregion	15.2	9.8	(5.3)	various
16 Highway Operational Improvements in Arroyo Verdugo Subregion	13.7	7.8	(5.9)	various
17 Interstate 5 / St. Route 14 Capacity Enhancement	1.5	1.5	0.0	various
18 Interstate 5 Corridor Improvements (I-605 to I-710)	0.5	0.0	(0.5)	various
19 Highway Efficiency Program	1.6	0.9	(0.7)	various
20 Transportation System and Mobility Improvement Program	1.5	16.2	14.7	various
21 Highway Demand Based Prog. (HOV Ext. & Connect)	1.6	-	(1.6)	various
22 Highway Operational Improvements	-	0.4	0.4	various
23 High Desert Corridor (highway department activities)	1.5	0.6	(1.0)	various
24 Measure R / M Highway Projects Total	\$ 312.2	\$ 239.9	\$ (72.3)	
25 Non-Measure R / M Highway Projects				
26 Interstate 210 Barrier Replacement	\$ 7.9	\$ 2.4	(5.5)	plans, specs & estimates
27 Highway Planning & Admin	4.2	2.6	(1.7)	administration
28 Caltrans Property Maintenance	3.5	1.3	(2.2)	operational
29 Interstate 405 Car Pool Lane	0.8	0.2	(0.6)	close-out
30 Non-Measure R / M Highway Projects Total	\$ 16.4	\$ 6.5	\$ (10.0)	
31 Highway Program Grand Total	\$ 328.6	\$ 246.3	\$ (82.3)	

Fiscal year 2021 preliminary budget of \$246 million, Figure 3, anticipates advancement of many highway projects:

- Procurement activity for construction on I-5 North, towards Kern County, anticipated to conclude in FY21 with notice to proceed in latter half of the fiscal year
- Design work for Shoemaker Bridge as part of Early Action along SR-710, as well as for Early Action sound wall
- Pursue right-of-way acquisition for SR-57/SR-60 interchange
- Continue construction on Soundwall Package 11, issue bid for Soundwall Package 10

Additionally, funds are budgeted for local street, intersection, signal, and on/off ramp

improvements through respective sub-regional projects, within the appropriate MOU.

Regional Rail

Regional Rail program consists of Metro’s Operating and Capital support of the Metrolink commuter rail system and Metro managed regional rail capital expansion, development, construction, and corridor studies. FY21 preliminary budget of \$219.5 million represents a \$41.3 million increase from FY20. \$23.3 million of this increase is due to anticipated real estate acquisition for Link US project, following the state grant approval in June. Anticipated activities in FY21 for projects in this category are noted in Figure 4.

Figure 4: Preliminary FY21 Regional Rail Program

Regional Rail Program		FY20	FY21		
(\$ in millions)		Budget	Preliminary	Difference	Notes
1	Metro Regional Rail				
2	Link US	\$ 25.8	\$ 55.2	29.4	ROW & construction procurement
3	Rosecrans / Marquardt Grade Separation	25.9	26.5	0.6	ROW & construction procurement
4	Brighton to Roxford Double Tracking	3.4	3.2	(0.2)	finalize design
5	High Desert Corridor (rail service development study)	-	1.5	1.5	study / plan
6	Doran Street Grade Separation	3.4	1.5	(1.9)	design
7	Lone Hill to CP White	0.7	0.5	(0.1)	early design
8	Other Regional Rail Projects	7.8	1.9	(5.9)	
9	Metro Regional Rail Total	\$ 66.9	\$ 90.3	\$ 23.3	
10	Metrolink				
11	Metrolink Operating	\$ 81.2	\$ 109.2	28.0	
12	Metrolink Capital & State of Good Repair	30.1	20.0	(10.1)	
13	Metrolink Total	\$ 111.3	\$ 129.2	\$ 17.9	
14	Regional Rail Program Grand Total	\$ 178.2	\$ 219.5	\$ 41.3	

Funding for Metrolink commuter rail operations anticipates a 30% reduction in service for the first half the year, with a return to a 100% level of operating service in the second half of FY21. The \$17.9 million increase in funding to Metrolink is due to the \$35 million fare revenue supplement provided to Metrolink in the same sprit as the CARES act, which provides revenue loss reimbursement.

Metro Transit: Operations & Maintenance and State of Good Repair

Metro Transit Program reflects the resources required to operate and maintain bus, rail services, and ensures that critical infrastructure remains in a state of good repair. The program is made up of two budget components: Operations and Maintenance (O&M) and State of Good Repair (SGR).

Metro Transit Expenses (\$ in millions)		FY20 Budget	FY21 Preliminary	\$ Change	% Change	% of Total
Metro Transit Operations & Maintenance (O&M)						
Metro Transit - Operations	Bus	\$ 1,291.7	\$ 1,271.8	\$ (19.9)	-2%	56%
	Rail	\$ 547.4	\$ 526.8	\$ (20.5)	-4%	23%
Total O&M		\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	80%
Metro Transit State of Good Repair (SGR)						
Metro Transit - SGR		\$ 493.5	\$ 457.0	\$ (36.5)	-7%	20%
Total Metro Transit (SGR and O&M)		\$ 2,332.6	\$ 2,255.6	\$ (77.0)	-3%	100%

Metro Transit Preliminary Budget is estimated to be \$2.3 billion, with \$1.8 billion allocated to Bus and Rail Operations and Maintenance (O&M) and \$457 million allocated to Bus and Rail State of Good Repair (SGR). This represents \$77 million (3%) reduction from the FY20 Budget.

Metro Transit-Operations & Maintenance

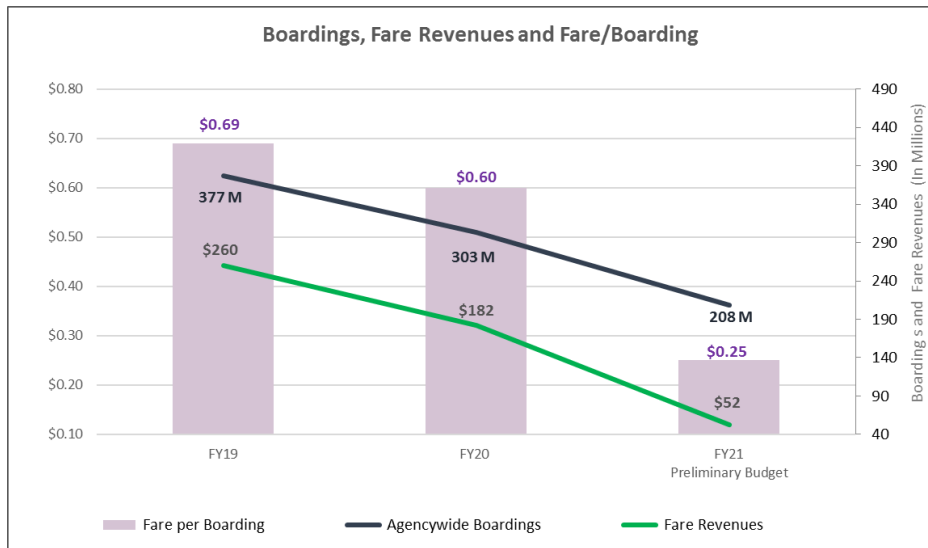
FY21 O&M Preliminary Budget is built on planned bus and rail service, maintenance needs, and system support. The preliminary budget is a direct result of service levels and cost control. In the 4th quarter of FY20, bus and rail services were modified to reflect an “enhanced Sunday service” model with more frequency and service hours added to major corridors based on plummeting ridership and revenue impact of the Safe-at-Home order. Boarding demand and sustainable resources drive the service level proposal to support recovery.

Boarding and Fare Revenue

Development of the preliminary boarding forecast is challenging given the uncertainty created by the pandemic. Timing of the economic and ridership recovery are difficult to predict. Using current actual weekday boarding of 560,000 as a base, adjusted for estimating methodologies used by other transit agencies, ridership is assumed to remain constant for the first and second quarter of FY21, and gradually ramp up in the third and fourth quarter. Annual boarding is projected to be 208 million for FY21, a 45% decline from FY20.

Fare revenue is the calculated result of total boarding and fare collected per boarding. Based on the actual system-wide fare per boarding currently being experienced, the preliminary budget assumes fare per boarding starts at \$0.10/boarding in the first quarter and increases to \$0.25 annual average by the fourth quarter of FY21 as front door boarding starts in Q3. Together with the assumed ridership recovery, FY21 Preliminary Budget includes \$52 million fare revenue from bus and rail operations. In comparison, FY19, the last fiscal year without COVID impact, the fare was \$260 million, a drop of 80%.

The graph below reflects actual boardings, fare per boarding and fare revenues for FY19 and FY20, as well as a high-level estimate for FY21 Preliminary Budget.



Bus and Rail Service Levels

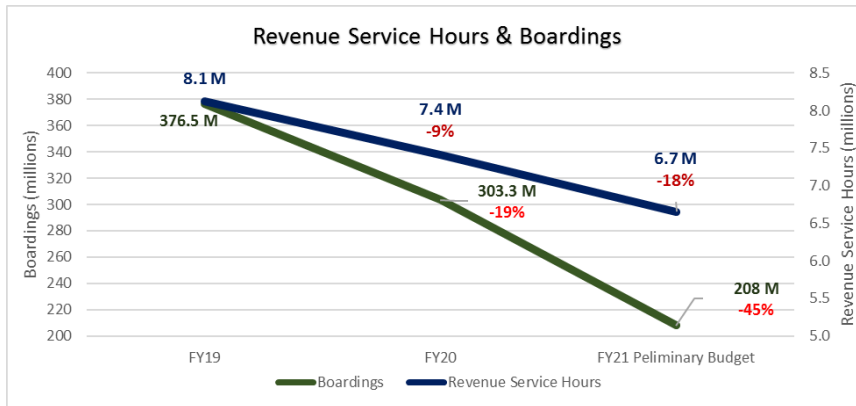
The FY21 proposed service plan is not in direct proportion to boarding decline. The service level anticipates a projected phased-in ridership recovery. Consider and allow for the flexibility and new initiatives to accommodate changing demands, service options, NextGen principles, Microtransit alternatives and economic indicators. The preliminary budget then adjusts for operator staffing availability during the pandemic. Operator runs are re-cut to timely adjust to ridership and safety needs. The preliminary proposed service level results in 6.65 million revenue service hours for Bus and Rail service combined, which is 19% less than FY20 Budget Pre-COVID level.

Revenue Service Hours

Mode	FY20 Adopted	FY21 Proposed	Change from FY20	% Change
Bus				
Local & Rapid	6,307,605	5,122,039	(1,185,566)	-18.8%
Silver Line	144,209	83,680	(60,529)	-42.0%
Orange Line	128,324	78,450	(49,874)	-38.9%
Purchased Transportation	514,238	372,768	(141,470)	-27.5%
Subtotal Bus	7,094,376	5,656,937	(1,437,440)	-20.3%
Rail				
Blue Line	203,944	199,894	(4,050)	-2.0%
Green Line	126,849	103,378	(23,471)	-18.5%
Gold Line	263,149	210,866	(52,284)	-19.9%
Expo Line	231,610	185,968	(45,643)	-19.7%
Red Line	309,401	293,696	(15,705)	-5.1%
Subtotal Rail	1,134,953	993,801	(141,152)	-12.4%
Total	8,229,329	6,650,738	(1,578,591)	-19.2%

The green line in the graph below reflects boarding; the blue line reflects revenue service hours (RSH). Boardings are expected to decline by about 45% compared to FY19, however, proposed

service level is 18% less than the service delivered in FY19.



Operations and Maintenance Expenses

Bus and Rail Operations and Maintenance Expenses

Operations (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	\$ Change	% Change	% of Total
Labor & Fringe	\$ 1,072.5	\$ 1,123.6	\$ 51.2	5%	62%
Labor - Overtime	95.5	55.7	(39.8)	-42%	4%
Parts & Supplies	97.1	80.1	(17.0)	-17%	4%
Fuel / Propulsion	60.6	44.7	(15.9)	-26%	2%
Other Operating Expenses	167.0	182.4	15.5	9%	10%
Contract / Professional Service	285.4	262.1	(23.4)	-8%	15%
Purchased Transportation	61.0	50.0	(11.0)	-18%	3%
Grand Total	\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	100%

The Bus and Rail Operations and Maintenance budget is modeled by projected unit cost of service, service level, and fixed costs needed to manage and maintain the system and infrastructure. Labor and fringe benefits make up 62% of the total budget. The remaining resources are for expenses including fuel and electricity needed to run vehicles, parts and supplies to properly maintain vehicles, items needed to clean and disinfect stations and facilities, and deployment of security staff on the system.

The FY 21 Preliminary Budget is estimated to be \$1.799 billion, reflecting a modest \$40.4 million (2 percent) decrease from FY20.

One major theme of budget development is job preservation and maintaining the commitment to continue adhering to negotiated labor contract provisions. Although the proposed service level is about 19.2% less than FY20 Budget, staff is being maintained and a new approach is underway to re-cut Bus/Rail Operator runs and adjust maintenance activities to optimize staff deployment and significantly reduce overtime expenses. Alternative approaches to service, such as Microtransit and continuing NextGen principles will be put in place using existing authorized labor/FTE and improved service productivity.

The major changes for FY21 are related to labor, overtime, fringe benefits, service-related consumables, and subcontracted bus lines. There is a 5% increase in labor and fringe benefits due to a negotiated wage and benefit increase; however, new approaches will decrease

overtime expenses by 42%. This will significantly offset these costs. Other cost elements of fuel, rail electricity, part/supplies, and subcontracted lines (Purchased Transportation) are all reduced based on a projected 1.579 million decrease revenue service hours.

Metro Transit-State of Good Repair

Metro State of Good Repair					
(\$ in Millions)					
SGR Category	FY20 Budget	FY21 Preliminary	Year Over Year \$ Change	Year Over Year % Change	% of Total SGR Budget
1 Bus Acquisition	\$ 130.9	\$ 208.7	\$ 77.8	59.5%	45.7%
2 Bus Facilities Improvements	9.3	15.6	6.2	66.9%	3.4%
3 Bus Maintenance	48.8	33.7	(15.0)	-30.8%	7.4%
4 Bus Subtotal	\$ 189.0	\$ 258.0	\$ 69.0	36.5%	56.5%
6 Rail Fleet Procurement	120.7	73.8	(46.8)	-38.8%	16.2%
7 Rail Vehicle Maintenance	44.5	45.7	1.2	2.6%	10.0%
5 Rail Facilities Improvements	19.2	7.6	(11.5)	-60.1%	1.7%
8 Wayside Systems	83.9	38.7	(45.2)	-53.9%	8.5%
9 Rail Subtotal	\$ 268.3	\$ 165.9	\$ (102.4)	-38.2%	36.3%
10 Regional and Hubs	16.6	12.6	(4.0)	-24.0%	2.8%
11 Technology	18.5	17.2	(1.3)	-6.9%	3.8%
12 Non-revenue & Other SGR	1.2	3.2	2.1	173.2%	0.7%
13 Other Subtotal	\$ 36.3	\$ 33.1	\$ (3.2)	-8.8%	7.2%
14 Total Proposed SGR Budget	\$ 493.5	\$ 457.0	\$ (36.5)	-7.4%	

The Agency's State of Good Repair (SGR) program focuses on maintaining its fleet, rail lines, transit stations, facilities, information systems and peripheral infrastructure to ensure delivery of safe, reliable, and high-quality transit services. The preliminary \$457.0 million estimate is a reduction of \$36.5 million, a 7.4% decrease from FY20. It is based on planned project activities and reflects the cash flow required to complete FY21 milestones and deliverables.

The reductions in SGR are primarily the result of scheduled project close-outs, as Light Rail Vehicle (LRV) deliveries conclude, and New Blue wraps up. Cost mitigation measures were implemented to account for lower projected revenues, while maintaining safe, reliable service, and high-quality transit services. Operations staff has worked diligently with contractors and vendors to adjust procurement and vehicle delivery schedules, and contract terms for buses, rail cars, and midlife programs, allowing for the preservation of essential funds for the coming year. A significant number of new proposed projects has been rescheduled to FY22 except for a new project for fire protection in the Metro B (Red) Line. Numerous other support projects have been slowed 3 to 6 months to accommodate budget constraints.

Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service

Subsidy Funding Programs

Funded primarily through state and local sales tax revenue sources, Subsidy Funding Programs represent amounts passed through Metro to regional partners to address transportation needs at the local level. Approximately 90% (\$1.1B) of the Subsidy Funding Program is made up of direct allocations to cities (Local Return), Formula Allocation Procedure (FAP) funding to Municipal and small operators, and Metro supported American with Disabilities Act (ADA) provide in the Los Angeles County by Access Services.

The FY21 Preliminary Budget includes \$1.2 billion for Subsidy Funding Programs, a decrease of 11.8% from the FY20 Adopted Budget. This decrease is primarily due to the expected decline in sales tax revenues from Pre-COVID levels as a result of the economic downturn due to the pandemic. The table below compares the FY20 Budget and FY21 Preliminary Budget for Subsidy Funding Programs.

Subsidy Funding Programs (\$ In millions)	FY 20	FY21		
	Budget	Preliminary	\$ Change	% Change
Local Agencies	\$ 779.3	\$ 702.5	\$ (76.8)	-9.8%
Regional Transit	473.1	387.3	(85.8)	-18.1%
Access Services	110.3	111.1	0.8	0.7%
Regional Federal Grants	27.4	23.3	(4.1)	-15.0%
Fare Assistance	14.6	14.4	(0.2)	-1.6%
Total Subsidy Funding Programs	\$ 1,404.7	\$ 1,238.6	\$ (166.1)	-11.8%

The overall decrease is a result of the expected decline in sales tax, revenues; however Regional Transit declines are mitigated by CARES funding that Municipal Operators will apply directly to FTA for these funds (not included in the table above).

Municipal Operators will receive CARES Act funding as a result of Board approved CARES Act. The allocations provide double the estimated sales tax losses to maintain their funding levels and provide supplemental relief.

General Planning and Programs

The General Planning and Programs has five major groups: 1) Financial, Grants Management and Administration, 2) Public Private Partnership (P3), 3) Property Management which includes Art and Design, Joint Development, Property Maintenance and Contract Management, Parking, Transit Oriented Communities (TOC) and Union Station, 4) Transit Court, and 5) Other Programs such as Active Transportation including Bike, First/Last Mile, Sustainability, and System Connectivity Programs and Studies.

General Planning & Programs (\$ in Millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Financial, Grants Mgmt and Admin	\$ 28.0	\$ 25.1	\$ (2.9)	-10.3%
Administrative and Planning Support	20.0	19.1	(0.9)	-4.6%
Financial Planning and Grants Management	8.0	6.0	(2.0)	-24.5%
P3	\$ 10.3	\$ 8.1	\$ (2.2)	-21.0%
P3	10.3	8.1	(2.2)	-21.0%
Transit Court	\$ 1.8	\$ 1.3	\$ (0.5)	-28.7%
Transit Court	1.8	1.3	(0.5)	-28.7%
Property Management	\$ 58.1	\$ 49.4	\$ (8.6)	-14.9%
Art and Design	1.6	1.5	(0.0)	-2.2%
Joint Development	6.1	5.3	(0.7)	-12.3%
Parking	11.4	10.2	(1.2)	-10.6%
Property Maintenance and Contract Management	18.2	19.1	0.9	5.1%
Transit Oriented Communities	3.9	2.8	(1.1)	-28.7%
Union Station	16.8	10.4	(6.4)	-38.2%
Other Programs	\$ 70.8	\$ 71.2	\$ 0.4	0.6%
Active Transportation incl Bike	37.6	39.0	1.4	3.7%
First Last Mile	2.1	3.1	1.0	48.8%
Sustainability	21.2	15.7	(5.5)	-25.8%
System Connectivity Program and Studies	9.9	13.4	3.5	34.9%
Grand Total	\$ 168.9	\$ 155.1	\$ (13.8)	-8.2%

As a result of the cost control measures, the FY21 Preliminary Budget of \$155.1 million represents a \$13.8 million or 8% decrease from the FY20 Budget. The Preliminary Budget for Bike Share, Parking and Union Station are aligned to the adjusted service level and customer demand amidst the pandemic. Some of the key activities anticipated to begin in Fall 2020 include P3 development on West Santa Ana Branch and Sepulveda Transit Corridor (\$8.0 million). Key projects included in Other Programs category are Rail to Rail/River segment A (\$12.0 million) and supplemental planning study of segment B (\$765.0 thousand), LA River Waterway and System Bike Path Phase 2 environmental clearance and design (\$8.9 million), and first/last mile planning work on Gold Line Foothill Extension 2B and Airport Metro Connector (\$938.0 thousand).

Congestion Management

Congestion Management Program is comprised of these four groups: 1) Expresslanes, 2) Freeway Service Patrol (FSP), 3) Service Authority for Freeway Emergencies (SAFE), and 4) Rideshare Services.

Congestion Management Program (\$ in millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Express Lanes	\$ 76.0	\$ 39.4	\$ (36.6)	-48.1%
Freeway Service Patrol	35.4	26.5	(8.9)	-25.2%
Kenneth Hahn Call Box Program (SAFE)	13.0	12.9	(0.1)	-1.1%
Rideshare Services	11.4	10.8	(0.6)	-5.4%
Congestion Management Program Total	\$ 135.9	\$ 89.6	\$ (46.3)	-34.0%

As a result of the cost control measures, the overall FY21 Preliminary Budget for the Congestion Management Program of \$89.6 million represents a \$46.3 million or 34.0% decrease from the FY20 Budget. The program adjusted ExpressLanes CHP enforcement, ExpressLanes Service Center, SoCal511 funding and various contracts under Freeway Service Patrol to match the decreased traffic on freeways and ExpressLanes. Funding for Incremental

Transit Services subsidy and Net-Toll Revenue grants were reduced to match estimated invoicing by cities. Lastly, planning for ExpressLanes expansion for I-10 extension, I-605, and I-10 Vanpool pilot projects will ramp up in the second half of the fiscal year.

Oversight and Administration

For Oversight and Administration, the FY21 Preliminary Budget is a 12.1% overall reduction from FY20 Budget. Oversight and Administration is mostly driven by labor and benefits which assumes non-contract vacancy savings as a result of the hiring freeze in place. Contract and professional services include contractual software and hardware licensing and legally mandated activities such as financial and compliance audit. As a result of CEO cost control actions, there are significant decreases in training, travel, and supplies.

Oversight and Administration (\$ in Millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Labor & Benefits	\$ 114.0	\$ 104.7	\$ 9.3	-8.1%
Contract and Professional Services	58.6	55.6	3.0	-5.1%
Lease & Utilities	19.9	16.4	3.5	-17.6%
Computer, Office Supplies and Travel	3.8	2.5	1.2	-32.9%
Corporate Membership, Sponsorships, and Training	2.6	1.9	0.7	-28.1%
Subtotal	198.8	181.1	17.7	-8.9%
Allocations	(127.7)	(118.5)	(9.1)	-7.2%
Total	\$ 71.2	\$ 62.6	\$ 8.6	-12.1%

Despite these reductions, there is budget to continue to advance Agency priorities and key initiatives that include racial justice and equity through the creation of the Race and Equity department in addition to advancing initiatives and studies from the Women and Girls Governing Council. Climate actions such as the Traffic Reduction Study will lead to a more sustainable future. Activities and programs including the Comprehensive Pricing Study and Mobility on Demand pilots seek to reimagine the future transportation network in Los Angeles County. As a result of CEO cost control actions, there are significant decreases in training, travel, and supplies.

Debt Service

Debt issuance is authorized by applicable federal and state legislation and the local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt that follow best practices and set affordability limits.

Debt Service (\$ in millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Debt Service - Prop A	164.4	139.3	(25.1)	-15.2%
Debt Service - Prop C	149.2	156.3	7.1	4.8%
Debt Service - Measure R	96.9	100.5	3.7	3.8%
Debt Service - Union Station ACQ	4.3	4.4	0.2	4.4%
Measure R TIFIA Loan - Regional Connector	36.0	10.6	(25.4)	-70.5%
Measure R TIFIA Loan - Crenshaw	0.1	14.7	14.7	27062.0%
Measure R TIFIA Loan - Westside	80.7	80.8	0.0	0.0%
Debt Service Total	\$ 531.6	\$ 506.8	\$ (25.8)	-4.8%

In FY21, it is anticipated that Crenshaw/LAX, Westside Purple Line Section 1, the new bus acquisitions and the light/heavy rail vehicles procurement, local traffic system, and other projects, will utilize debt proceeds. As of July 1, 2020, Metro has \$5.74 billion of outstanding

debt. The annual debt service cost in FY21 is estimated at \$506.8 million, a decrease of 4.8% over last year's FY20 Budget of \$531.6 million, primarily due to lower set asides of sales tax revenue required for debt service based on the repayment schedule structure at the time of the original bond issuance.

FY21 Budget Development Update

Finance, Budget and Audit Committee Meeting
August 19, 2020

Agenda

- Process and Schedule
- FY20-FY21 Losses and CARES Act Recap
- FY21 Preliminary Budget Summary
- Quarterly Revenue and Expense Projection Trend
- FY21 Preliminary Budget Program Overview
- FY21 Preliminary Budget – Expenses
 - Transportation Infrastructure Development
 - Subsidy Funding Program
 - Other Programs
 - Metro Transit
- Major Risks to FY21 Preliminary Budget
- Budget Outreach
- Next Steps



FY21 Budget Process & Schedule

Month Board Report

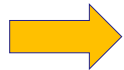


May **FY21 Continuing Resolution & Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding (Agenda No. 39)**

June **COVID Revised Revenue Assumptions and Forecast**

July **FY21 Budget Update (Board Box – sent July 17th)**

- Sales Tax Forecast, Resources Assumption
- Budget Schedule
- Stakeholder Outreach Plan



August **Program Summaries & Expense Assumptions**

- Budget Development Process
- Expense Assumptions by Program Type
- Transportation Infrastructure Development, Regional Rail, Highways
- Metro Transit – Operations & Maintenance Expense and State of Good Repair
- Subsidy to Regional Partners and Other Programs

September **FY21 Revised Budget Adoption (Planned)**


- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on September 16, 2020
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on September 24, 2020

December **Mid-Year Budget Amendment (as needed)**

FY20 and FY21 Losses and CARES Act

Source of funds (\$Millions)	FY20			FY21	FY20 + FY21 Total Loss
	Adopted Budget	Post-COVID Revised	FY20 Loss	FY21 Loss	
Metro Locally Adopted Measures	\$ 3,492	\$ 3,127	\$ (365)	\$ (528)	\$ (893)
State Transportation Development Act (TDA)	437	391	(46)	(66)	(112)
STA/SB1 State Funds	246	221	(25)	(30)	(56)
Total	\$ 4,174	\$ 3,738	\$ (436)	\$ (624)	\$ (1,060)

- The COVID-19 pandemic's impacts on revenues and expenses began in FY20 and will continue in FY21
- Of the LA County \$1.068B CARES allocation, Metro received \$874.8M from CARES Act for losses starting January 2020; the projected loss to Metro programs is \$1.8B
- CARES Act does not cover all of Metro's losses in bus and rail operations and provides no funding for transit infrastructure projects



Sales Tax Revenue Loss	\$ (1,060)
Fare Revenue Loss	(197)
Toll Revenue Loss	(25)
Other System-Generated Revenue Loss	(160)
Subtotal Revenue Loss	\$ (1,442)
Additional COVID-19 Costs	\$ (362)
Total Two Year Loss to Budget	\$ (1,804)



Metro

FY21 Budget Summary

Objective: Aiming to balance FY21 Budget under severe financial constraint due to COVID-19, while staying on course to deliver Metro's mission

Revenues

- Projecting revenue loss of \$865M comprised of \$624M in Sales Taxes and \$241M in Fares and Tolls
- Assumes gradual recovery that starts in September 2020, with a full recovery anticipated in June 2021
- CARES stimulus does not cover all losses in operations and provides no funding for capital projects

Expenses

Labor:

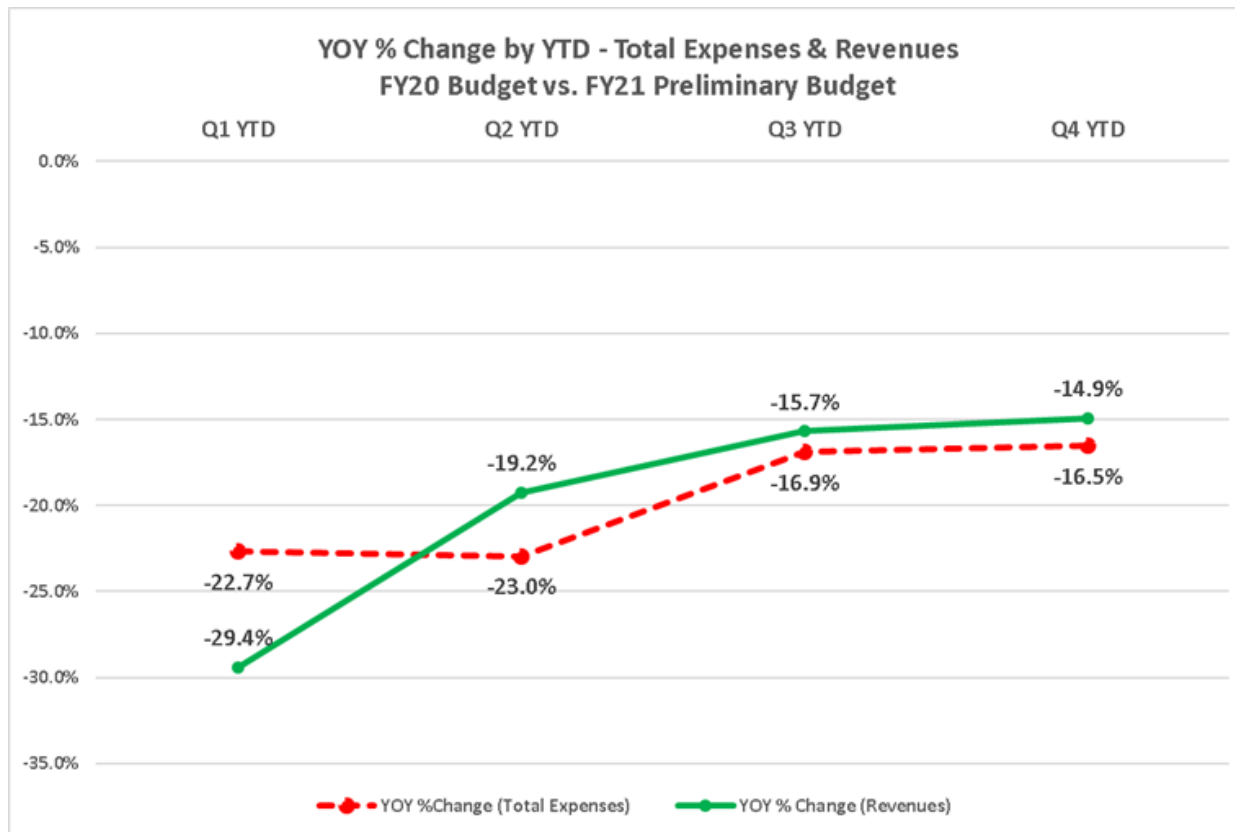
- No reduction of FTEs from FY20 Budget level (CARES reimbursement)
- Union wages will increase up to 4.5% per the Collective Bargaining Agreements (CBA)
- Non-Contract merit-based increases of 3.5% deferred for first quarter
- Non-Contract estimated vacancy savings assumptions of \$26M

Programs:

- Enhanced cleaning, sanitizing, and PPE availability
- Transit Services at 81% of pre-COVID level, estimated boardings at 55%
- NextGen investments of \$7M for corridor planning & analysis, plus \$123M for related bus improvements
- All Measure M/R projects in FY20 moving forward, planning phases moving towards shovel ready status
- Transit funding to operators and cities continue regionally, with CARES funds mitigating declines
- Congestion Management and other mobility initiatives adjusted to match demand
- Cost controls in place for Oversight and Administrative projects, leading to 12% reduction

If needed, Mid-Year Budget will be brought to Board for approval based on the pace of recovery

Quarterly Revenue and Expense Projection Trend

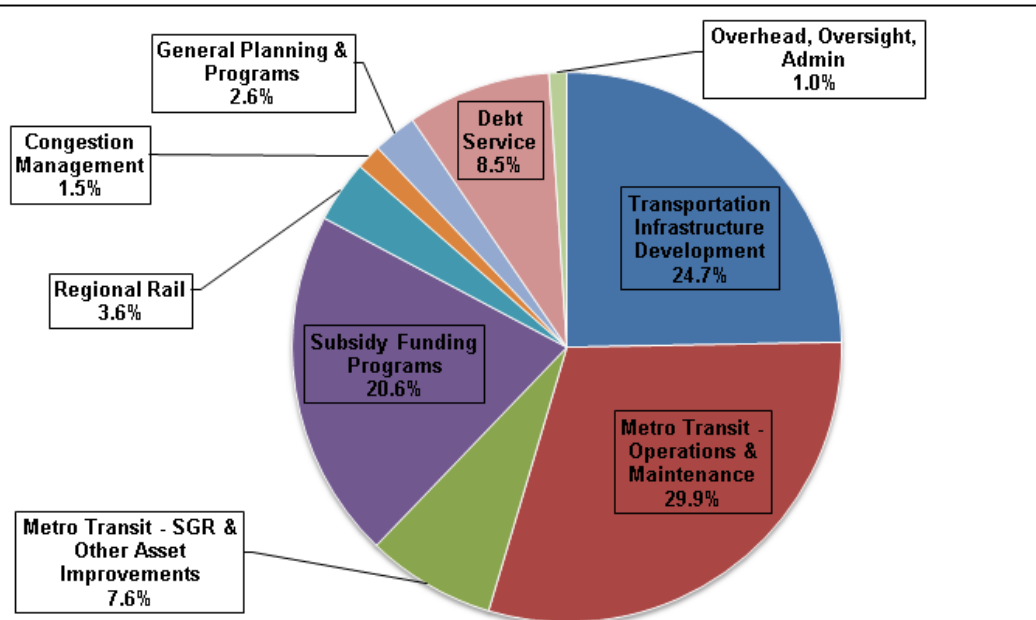


- The Total Expenses Reduction Curve follows the Revenue Loss Curve
- Cost inflation is projected to increase by 2.3%, taking into account the historical trend and leading regional forecasts
- Anticipated recovery assumes to start in Q2 and continue through the remainder of FY21
- A midyear budget adjustment may be necessary as recovery takes longer than assumed

FY21 Preliminary Budget Program Overview

Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	FY20 - FY21 \$ Change	FY20 - FY21 % Change
1 Transportation Infrastructure Development	\$ 2,382.4	\$ 1,486.5	\$ (895.9)	-37.6%
2 Metro Transit - Operations & Maintenance	1,839.1	1,798.6	(40.4)	-2.2%
3 Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%
4 Subsidy Funding Programs	1,404.7	1,238.6	(166.0)	-11.8%
5 Regional Rail	178.2	219.5	41.3	23.2%
6 Congestion Management	135.9	89.6	(46.3)	-34.0%
7 General Planning & Programs	168.9	155.1	(13.8)	-8.2%
8 Debt Service	534.9	509.2	(25.8)	-4.8%
9 Oversight and Admin	71.2	62.6	(8.6)	-12.1%
10 Total Expenditures	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%

Expenditure % of FY21 Preliminary Budget



- FY21 Preliminary Budget is 16.5% or \$1.2BB less than FY20 Budget
- All FY20 projects are scheduled to continue moving forward in FY21 Preliminary Budget

Transportation Infrastructure Development

Transit Expansion

- Efforts continue on all infrastructure projects, including 4 pillar projects, in accordance with Measure M schedule for environmental clearance and shovel readiness
- Focus will be on critical tasks during the first quarter (continuing resolution period) when the revenue shortfall is anticipated to be at its maximum

Transit Expansion (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Notes
1	Measure R/M Transit Construction				
2	Westside Purple Line Extension Section 1	\$ 283.5	\$ 181.2	\$ (102.3)	3.92 miles, RSD in 2023
3	Westside Purple Line Extension Section 2	312.3	121.5	(190.8)	2.59 miles, RSD in 2025
4	Westside Purple Line Extension Section 3	457.3	223.2	(234.1)	2.56 miles, RSD in 2027
5	Division 20 Portal Widening & Turnback	85.0	91.1	6.2	Downtown LA, near Arts District
6	Westside Purple Line Extension Subtotal	\$ 1,138.0	\$ 617.0	\$ (521.0)	
7	Regional Connector Light Rail Transit	\$ 220.2	\$ 144.5	\$ (75.7)	1.9 miles, RSD in 2022
8	Crenshaw/LAX Light Rail Transit	224.5	111.7	(112.8)	8.5 miles, RSD in 2021
9	Gold Line Foothill Extension Phase 2	156.2	101.5	(54.7)	12.3 miles thru Montclair, substantial completion by 2028
10	East San Fernando Valley Light Rail Transit	35.4	16.2	(19.2)	9.2 miles, NEPA clearance in FY21
11	Airport Metro Connector	68.8	80.3	11.6	Aviation/96th St Station - Crenshaw/LAX
12	Expo Light Rail Transit Close Out	3.0	1.9	(1.1)	closeout activities
13	Metro Orange Line Improvements	21.3	20.5	(0.9)	improve speed, safety, capacity
14	Systemwide	92.0	80.0	(12.0)	
15	Business Interruption Fund	7.0	5.6	(1.4)	
16	Measure R/M Transit Construction Total	\$ 1,966.4	\$ 1,179.2	\$ (787.3)	
17	Measure R/M Transit Planning				
18	West Santa Ana Branch Transit Expansion	\$ 49.0	\$ 16.5	\$ (32.6)	4 pillar project
19	Sepulveda Transit Corridor	8.2	13.3	5.1	4 pillar project
20	Eastside Light Rail Access	9.0	6.5	(2.5)	
21	North Hollywood / Pasadena BRT Connector	3.2	5.7	2.5	
22	Eastside Light Rail Transit Extension Phase 2	9.2	4.2	(5.1)	4 pillar project
23	Green Line Extension to Torrance	2.2	8.3	6.2	4 pillar project
24	Vermont Transit Corridor	1.2	3.2	2.0	
25	Crenshaw Northern Extension	2.0	2.8	0.8	
26	North San Fernando Valley Bus Rapid Transit	3.4	2.5	(0.9)	
27	Measure R/M Transit Planning Total	\$ 87.4	\$ 63.0	\$ (24.4)	
28	Program Control & Support Total	\$ 11.9	\$ 14.0	\$ 2.1	
29	Transit Expansion Grand Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)	

Transportation Infrastructure Development Highway

- Efforts continue on all infrastructure projects, in accordance with Measure M schedule for environmental clearance and shovel readiness
- High Desert Corridor has additional budget reported under Regional Rail program for efforts on intercity rail service development plan

Highway Program (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Phase
1	Measure R / M Highway Projects				
2	Alameda Corridor East Grade Separations Phase 2	\$ 30.0	\$ 50.1	\$ 20.1	various
3	Interstate 605 Corridor "Hot Spot" Improvements	45.7	19.8	(25.9)	various
4	Interstate 5 North Capacity Enhance SR-14 to Kern County Line	17.2	13.5	(3.6)	construction
5	SR-57/SR-60 Interchange Improvements	23.4	6.9	(16.5)	plans, specs & estimates
6	Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Imp (South Bay)	20.7	20.6	(0.1)	various
7	Countywide Sound Wall Assessment & Constructions	25.8	15.4	(10.4)	various
8	Interstate 5 Capacity Enhancement from SR-134 to SR-170	21.9	15.3	(6.6)	construction
9	State Route 138 Capacity Enhancements	27.6	15.6	(12.0)	various
10	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	25.6	15.0	(10.6)	construction
11	SR-710 North Corridor Mobility Improvements	0.8	8.3	7.5	plans, specs & estimates
12	Interstate 710 South and/or Early Action Projects	31.6	17.1	(14.4)	various
13	Interstate 105 Express Lanes	2.5	2.9	0.4	environmental
14	Interstate 405 Sepulveda Express Lanes	2.3	2.0	(0.4)	environmental
15	Highway Operational Improvements in Las Virgenes/Malibu Subregion	15.2	9.8	(5.3)	various
16	Highway Operational Improvements in Arroyo Verdugo Subregion	13.7	7.8	(5.9)	various
17	Interstate 5 / St. Route 14 Capacity Enhancement	1.5	1.5	0.0	various
18	Interstate 5 Corridor Improvements (I-605 to I-710)	0.5	0.0	(0.5)	various
19	Highway Efficiency Program	1.6	0.9	(0.7)	various
20	Transportation System and Mobility Improvement Program	1.5	16.2	14.7	various
21	Highway Demand Based Prog and Operational Improvements	1.6	0.4	(1.2)	various
22	High Desert Corridor (highway department activities)	1.5	0.6	(1.0)	various
23	Measure R / M Highway Projects Total	\$ 312.2	\$ 239.8	\$ (72.4)	
24	Non-Measure R / M Highway Projects				
25	Interstate 210 Barrier Replacement	\$ 7.9	\$ 2.4	\$ (5.5)	plans, specs & estimates
26	Highway Planning & Admin	4.2	2.6	(1.7)	administration
27	Caltrans Property Maintenance	3.5	1.3	(2.2)	operational
28	Interstate 405 Car Pool Lane	0.8	0.2	(0.6)	close-out
29	Non-Measure R / M Highway Projects Total	\$ 16.4	\$ 6.5	\$ (10.0)	
30	Highway Program Grand Total	\$ 328.6	\$ 246.3	\$ (82.3)	

Subsidy Funding Programs

	FY 20 Budget	FY21 Preliminary	\$ Change	% Change
Subsidy Funding Programs (\$ In millions)				
Local Agencies	\$ 779.3	\$ 702.5	\$ (76.8)	-9.8%
★ CARES Act Regional Transit	473.1	387.3	(85.8)	-18.1%
★ CARES Act Access Services (Note 1)	110.3	111.1	0.8	0.7%
Regional Federal Grants	27.4	23.3	(4.1)	-15.0%
★ CARES Act Fare Assistance	14.6	14.4	(0.2)	-1.6%
Total Subsidy Funding Programs	\$ 1,404.7	\$ 1,238.6	\$ (166.1)	-11.8%

Note 1: Access' Funding Request is being reviewed and will be adjusted.

- The overall decrease is a result of the decline in sales tax revenues
- Regional Transit declines are mitigated by CARES funding
 - Board approved allocations provide double the estimated sales tax losses (maintain funding levels and supplemental relief)
 - Municipal Operators apply directly to FTA (CARES allocations not included in the table above)
- Tier 2, Small Operators and Access Services will receive CARES equivalent funding which is included in the table above



Other Metro Programs

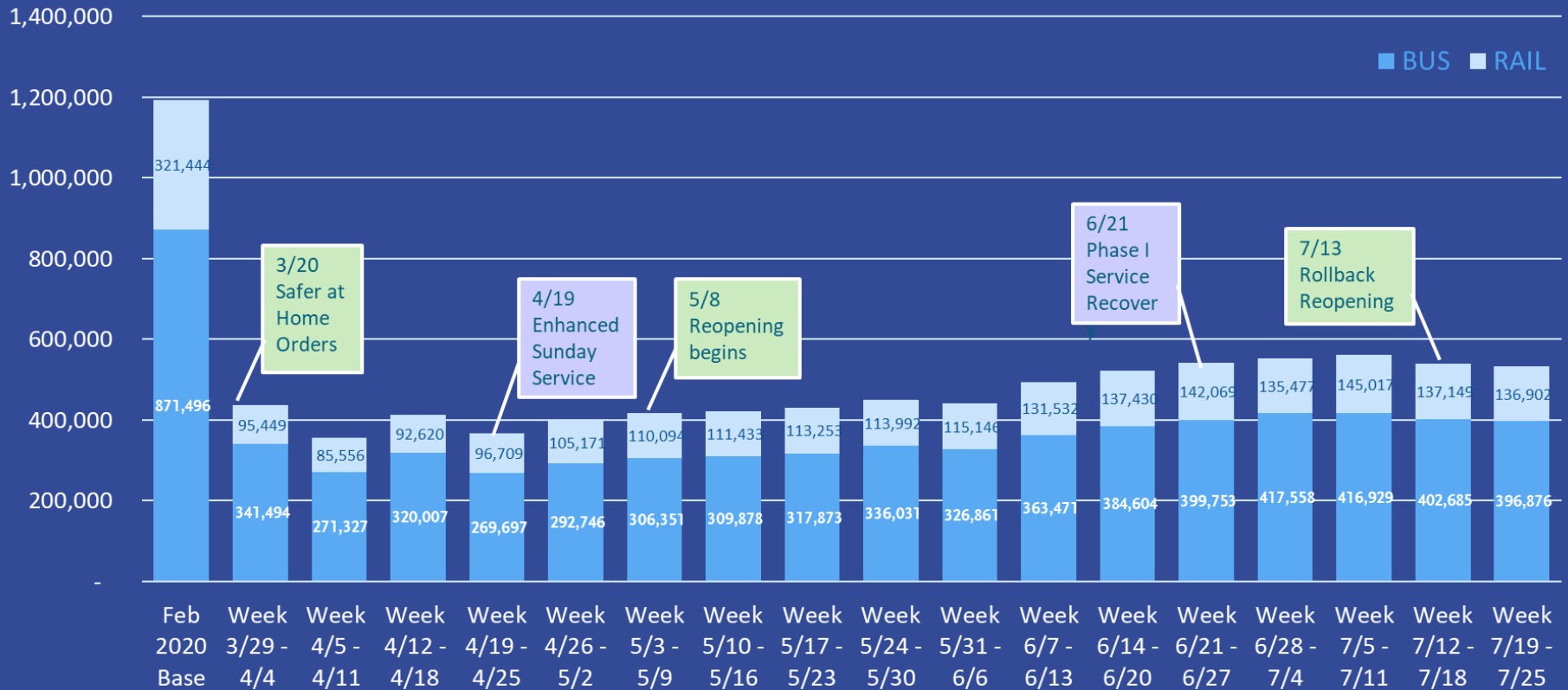
	Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	\$ Change	% Change	Key Activities
1	Congestion Management	\$ 135.9	\$ 89.6	\$ (46.3)	-34.0%	In FY21, the program will strive to provide safe and efficient services to motorists traveling on Los Angeles County ExpressLanes and freeways despite the funding changes due to the current economic downturn. The ExpressLane Pay-As-You-Go pilot program will continue. The Occupancy Detection System and next-generation "6C" transponder will be deployed. Implementation of updated Back-Office System will improve customer service and experience. Deployment and operation of the Spanish IVR phone service and new mobile application for Southern California 511. The planning study for I-105 ExpressLane will stay on the original Measure M schedule.
2	General Planning & Programs	\$ 168.9	\$ 155.1	\$ (13.8)	-8.2%	Projects are evaluated to continue at regular or adjusted speed in response to the CEO's Cost Control Action. Key FY21 activities include P3 development work on West Santa Ana Branch and Sepulveda Transit Corridor, continuation of Board approved Union Station capital projects, Rail to Rail/River Active Transportation Corridor Segment A construction and Segment B supplemental planning study, LA River Bike Path Phase 2 environmental clearance and design, First/Last Mile planning work on MR/MM projects and Centinela Grade Separation preliminary design.
3	Oversight and Admin	\$ 71.2	\$ 62.6	\$ (8.6)	-12.1%	A decrease by -12.1% to maintain low oversight and admin costs at 3% of total budget while continuing to invest in agency priorities such as equity, sustainability and climate action initiatives and projects.
4	Debt Service	\$ 534.9	\$ 509.2	\$ (25.8)	-4.8%	The annual debt service cost in FY21 is estimated at \$506.8 million, a decrease of 4.8% over last year's FY20 Budget of \$531.6 million, primarily due to repayment schedule structure at the time of the original bond issuance.
5	TID, Operations, Regional Rail, & Subsidy Programs	\$ 6,297.9	\$ 5,200.2	\$ (1,097.7)	-17.4%	
6	Total Expenses	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%	

FY21 Revenue Hour Planning Parameters



Transit Service
Planning Framework
August 2020

Ridership Trends



Planning Principles

- 1 Initial reduction in service (Apr 2020) in response to declines in ridership, revenues, and staffing levels
- 2 Service adjustments informed by weekly ridership and load analysis, Operator/BOC report, social media reports, economic indicators
- 3 Continue to track Safer at Home orders and Reopening Phases to anticipate ridership changes
- 4 Build back system based on principles established through NextGen
- 5 Nimble to easily adjust to changing trends in travel demand & economic recovery, and resources (revenues and staffing levels)

Bus Recovery Phasing Plan

BASE COVID Enhanced Sunday Service

PHASE 1 “Orders Begin Lifting”

PHASE 2 “Schools Back, Start NextGen”

PHASE 3 “Post-COVID FY21 New Norm”

PHASE 4 “NextGen FY22 New Norm”

Objective

Provide for essential travel only

Proactively manage core network for returning customers as COVID impacts evolve. Complete NextGen PH & approvals and begin implementation

React to patterns of emerging econ. growth

Continue buildout of a sustainable NextGen Plan for the New Normal

Timing

April 2020

June 2020

December 2020

January-June 2021

July 2021 – June 2022

Est. Service Levels (RSH)

5.0M (-30%)

5.6M (-20%)

5.6M (-20%)

5.6M (-20%)

6.5 M (-8% est.)

Service Adjustments

- Sunday Base
- Add weekday Locals, Rapids

- Reduce underutilized peak service
- Right-size added weekday Rapids
- Add extra trips where highest loads (Tier 1,2)
- Tier 3,4 – maintain Sun service level all week

- Begin NextGen network changes (approved)
- Redeploy trips to high load and Tier 1, 2 lines
- Replace some unproductive service with MicroTransit
- Add School trippers (when schools reopen)

- Continue to monitor economic recovery
- Implement demand specific service reallocations IF available
- Reg Connect. bus bridge
- Match service levels to any mid-year budget adjustments

- Complete NextGen routing changes
- Enhance Tier 1,2 midday & weekend freq. towards NextGen goals given resources and ridership -- Implement second group of MicroTransit zones



Capital Improvements

FY 21 NextGen Related Projects	FY21 Budget	LOP	Status	Opening Date
Patsaouras Plaza Busway Station	\$3M	\$49M	Under construction, nearly complete	Sept 2020
DTLA Bus Priority Lanes on Flower, 5 th , 6 th & Aliso Streets	-	\$0.6M	Flower, 5 th , 6 th Streets* completed; Aliso Street** in design	*Completed **Oct 2020
Cesar Chavez/Vignes Bus Pavilion at Union Station	\$1.1M	\$2.5M	Under construction, nearly complete	Sept 2020
Willowbrook/Rosa Parks Station Bus Plaza & Passenger Drop-Off	\$12.2M	\$15M	Under construction	Mar 2021
Total	\$16.3M	\$67.1M		

Other Major Bus Improvements	FY21 Budget	Project Cost	Status	Opening Date
Airport Metro Connector Bus Plaza	\$75M	\$75M	Begin construction in spring 2021	2024
G Line (Orange) BRT Improvements	\$20.4M	\$361M	In design; begin construction in fall 2021	2025
NoHo To Pasadena BRT	\$5.7M	\$267M	In planning, EIR release winter 2021	2024/2025
North San Fernando Valley (NSFV) BRT	\$2.5M	\$180M	In planning, EIR release winter 2021	2024/2025
Vermont Av BRT	\$3.2M	\$425M	In planning, EIR release date 2021/2022	2028
Total	\$106.8M	\$1,308M		

Grand Total	\$123.1M	\$1,375M		
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NextGen Capital Program

\$15M Program for FY 21-22

Speed & Reliability Improvements on Tier 1 Corridors

- Bus Priority Lanes on Tier 1 Corridors
- Transit Signal Priority Loop Detection
- All Door Boarding Expansion
- Bus Zone Optimization
- LADOT & External Affairs Support

Systemwide Upgrades

- Transit Signal Priority for Local Buses
- Bus Stop Bulb Outs
- Metro Rail Speed Analysis
- Station Cleanliness & Evaluation

Phasing Over Two Years

FY 21 Program (\$7M)

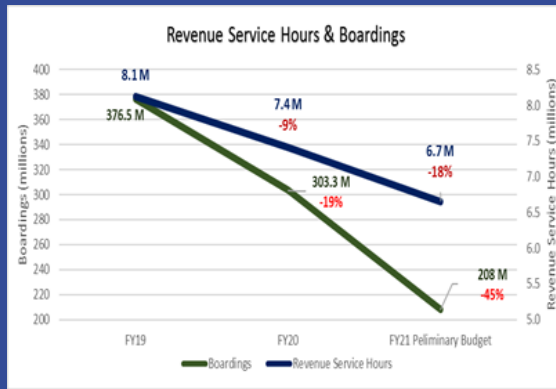
- Technical Analysis & Outreach for Bus Priority Lanes on 5 new Tier 1 Corridors
- Implement Bus Priority Lanes as Prioritized from Technical Analysis & Outreach Process
- All Door Boarding Expansion
- Bus Zone Optimization
- Metro Rail Speed Analysis
- Station Cleanliness & Evaluation

FY 22 Program (\$8M)

- Implement remaining Bus Priority Lanes
- Transit Signal Priority Expansion
- Bus Stop Bulb Outs Expansion



Metro Transit Expense Summary



Metro Transit Expenses (\$ in millions)	Expense Category	FY20 Budget	FY21 Preliminary	\$ Change	% Change	% of Total
Direct Operating Cost	Labor - FTE	\$ 1,147.9	\$ 1,192.6	\$ 44.7	4%	53%
	Labor - Overtime	\$ 88.9	\$ 53.0	\$ (35.9)	-40%	2%
	Total Labor	\$ 1,236.8	\$ 1,245.7	\$ 8.9	1%	55%
	Service-related Consumables	\$ 148.9	\$ 119.4	\$ (29.5)	-20%	5%
	Other	\$ 171.4	\$ 159.0	\$ (12.5)	-7%	7%
	Total Non-Labor	\$ 320.4	\$ 278.4	\$ (42.0)	-13%	12%
Total Direct Operating Cost		\$ 1,557.2	\$ 1,524.1	\$ (33.1)	-2%	68%
Support Costs		\$ 281.9	\$ 274.6	\$ (7.3)	-3%	12%
Total Metro - Transit Operations & Maintenance		\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	80%
Metro Transit - SGR		\$ 493.5	\$ 457.0	\$ (36.5)	-7%	20%
Total Metro Transit		\$ 2,332.6	\$ 2,255.6	\$ (77.0)	-3%	100%

Revenue Service Hours (RSH) and Boardings

- Boardings and RSHs drive the costs needed to run service and maintain infrastructure
- On average, FY21 RSH will be 81% of pre-COVID service levels and will support 55% of estimated boardings
- Service will be phased-in and support people returning to work, changing demand, NextGen, and Microtransit implementation

Operations & Maintenance

- Preserve staffing levels & maintain commitment to negotiated CBA provisions
- Reductions in overtime, consumables, and other cost control initiatives offset cost of staffing preservation

State of Good Repair

- Supports bus and rail vehicle deliveries, bus fleet electrification, and reflects cash flow required to complete project milestones and deliverables

NextGen Capital Investment

- Direct Operational planning, technical analysis for a total of \$15 million, \$7 million in FY21 and \$8 million in FY22, is included in Operation's preliminary budget
- Additional bus related investments, \$123 million in FY21

Major Risks in FY21 Budget

- Further decline in sales tax revenues from our March estimate as a result of extended stay at home orders due to the ongoing COVID-19 pandemic.
- Costs that rise faster than the inflation factor built into the budget for goods/services used to deliver Metro's projects and services.
- Uncertainty regarding if/when business activity will return to pre-COVID levels.
- Uncertainty regarding public willingness to return to public transit post-COVID.
- Changes in Metro's share of federal and state funding that is dependent on legislative or other action.
- Unplanned / unfunded projects added post Budget Adoption

Budget Outreach Update

Jul – Sept



Bus Car Cards

Aug

- Metro FB Events
- Metro Projects Pages
- E-Blast: (1st & 2nd)
- TheSource



SEPT

- NextDoor
- FB Events
- Instagram Stories
- Twitter
- E-Blast (3rd) Reminders



Metro.net/myvoice

- Questionnaire:
 - Responses (1,069)
 - Comments (469)
- Webpage:
 - Visits (6,851)

- FY21 Budget Briefing – Regional Service Councils – **Sept 3***
- Public Hearing – **Sept 16***
- Board Adoption FY21 Budget– **Sept 24***



Next Steps

- Proposed Book will be available for public viewing: **September 1st**
- Upcoming Outreach Events
 - Virtual Stakeholder and Service Council Meeting on **September 3rd**
- Public Hearing of the Proposed Budget to take place on **September 16th**
- Final Board Adoption expected on **September 24th**
 - Board Adoption is legally required
 - Mid-Year Budget Update (if needed) – December/January TBD
 - Review of the Sales Tax and Other Revenues, based on duration of pandemic
 - Review of delivery and expenditure on projects and programs and adjustments on a case by case basis
 - Opportunity of additional funding and competitiveness of our projects



Board Report

File #: 2020-0416, File Type: Contract

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 19, 2020

SUBJECT: REAL ESTATE APPRAISAL SERVICES BENCH

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER authorizing the Chief Executive Officer to:

- A. APPROVE the establishment of 19 contract agreements for professional services under the Real Estate Appraisal Services Bench, with the contractors recommended in Attachment A-1 for a five-year base period in the amount of \$34,500,000, with two, one-year options, for \$3,500,000 and \$2,064,500, respectively, with a funding amount not to exceed cumulative total of \$40,064,500, subject to resolution of protest(s) if any.
- B. AWARD Task Orders within the approved not-to-exceed cumulative total value of \$34,500,000.

ISSUE

The Los Angeles County Metropolitan Transportation Authority ("LACMTA") Real Estate staff requires a bench contract for appraisal services with three (3) disciplines: Real Estate; Furniture, Fixtures and Equipment; and Business Goodwill.

LACMTA has an on-going need for appraisal services in support of new transit and highway projects, enhanced bus and rail operations, and a host of other administrative and transportation improvements projects. Some major transportation projects include:

- Westside Purple Line Subway Extension Section III
- Link US
- Eastside Transit Corridor Phase 2
- Sepulveda Transit Corridor
- West Santa Ana Branch Transit Corridor
- Orange Line BRT Improvement
- East San Fernando Valley Transit Corridor
- Other miscellaneous projects including bus, rail, and highway projects

These projects will be designed and constructed over the next eight years and will require the appraisal of various personal and real property interests.

LACMTA is required by federal, state and municipal agency regulations to make offers of “Just Compensation” for the acquisition of real and personal property based on “fair market value” as recommended by competent, independent appraisers.

Depending on the scope of services, the project manager will decide which appraisal discipline will be utilized. A task order will be awarded to a contractor in a specific discipline at the completion of a competitive procurement process.

The Real Estate Appraisal Services Bench will allow task orders to be awarded more efficiently since the initial qualification reviews have been completed. The use of a bench streamlines the procurement process and allows staff timely access to professional resources to meet project schedules.

BACKGROUND

LACMTA’s existing Real Estate Appraisal Services Bench was issued on August 5, 2013 and expires on February 28, 2022. An RFIQ was issued to interested firms in October 2019 to provide appraisal services in three separate appraisal disciplines: Real Estate; Furniture, Fixtures & Equipment; and Business Goodwill.

LACMTA received twenty-seven (27) responses to the RFIQ broken down into the following appraisal disciplines: twenty-two (22) for Real Estate, three (3) for Furniture, Fixtures & Equipment; and two (2) for the Business Goodwill.

DISCUSSION

Findings

The current Real Estate Appraisal Services Bench has been utilized over the past seven years and has proven to be a very successful method in reducing staff resources expended on the procurement of service contracts and allowing for projects to be completed in a more efficient manner.

Considerations

Staff is recommending the total funding value of \$40,064,500 million for this new Real Estate Appraisal Bench. The funding value is based on projected project needs and an increased demand for appraisals services over the next seven years.

However, there may be unforeseen requirements for other project changes or schedule acceleration which may exceed existing assumptions and exhaust the approved total contract value before the end of the contract period. Under these circumstances, if needed, staff will return to the Board requesting for additional contract funding.

Equity Platform

Expanding LACMTA's infrastructure to better serve the communities in need of public transportation.

DETERMINATION OF SAFETY IMPACT

This item does not have an impact on LACMTA safety standards.

FINANCIAL IMPACT

Adoption of the Real Estate Appraisal Services Bench will have no impact on the existing FY20 budget. Funding for FY21 has been budgeted in projects requiring appraisal services across numerous cost centers. Each task order awarded to a contractor will be funded with the source of funds identified for that project. Since this is a multiyear contract, the project manager will be responsible for budgeting costs in future years, including any options exercised.

Impact to Budget

The funding for the task orders is dependent upon the specific project. Generally, all projects accessing the Real Estate Appraisal Services Bench will be partially funded from Measures R and M. Additional funding for LACMTA projects comes from various state and federal sources including the Federal Transit Administration (FTA).

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Real Estate Appraisal Services Bench will allow task orders to be awarded more efficiently since the initial qualification reviews would already have been completed. It is critical to expedite the procurement process in order to meet tight project schedules and complete long-range planning projects.

Recommendation supports strategic plan goals:

1. Provide high-quality mobility options that enable people to spend less time traveling;
2. Deliver outstanding trip experiences for all users of the transportation system;
3. Enhance communities and lives through mobility and access to opportunity;
4. Transform LA County through regional collaboration and national leadership; and
5. Provide responsive, accountable, and trustworthy governance within the LACMTA organization.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the recommendations. This is not recommended as the alternatives would be to:

- a. Award task orders as separate procurements which will dramatically increase the procurement times for the individual task orders, and/or
- b. increase the size of the Real Estate staff in order to perform the work in-house. LACMTA has historically had difficulty recruiting appraisal staff with the necessary experience and

expertise to perform the various types of appraisal assignments envisioned in the coming years.

Both alternatives will hamper the Real Estate division's ability to respond quickly to project needs resulting in significant delays and cost increases. The current project schedules anticipate the majority of appraisal work to take place over the next 3 to 5 years.

NEXT STEPS

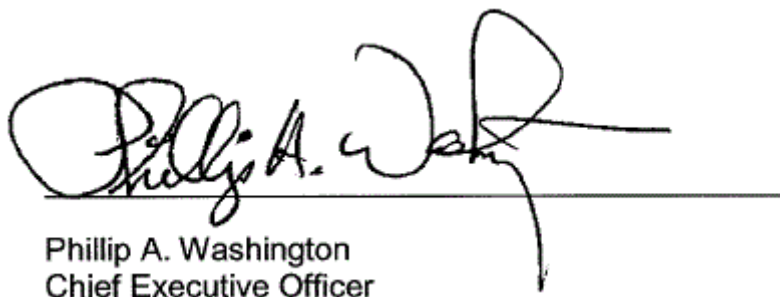
Upon Board approval, staff will establish and execute the bench contracts. As needed, staff will solicit responses to individual task orders from specific disciplines. SBE, DVBE and/or DBE goal requirements will be set for each individual task order.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment A-1 - Recommended Firms by Discipline
Attachment B - DEOD Summary

Prepared by: Craig Justesen, Director, Countywide Planning & Development, (213) 922-7051
John Potts, Executive Officer, Countywide Planning & Development, (213) 418-3397

Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920
Debra Avila, Chief Vendor/Contract Management Officer (213) 418-3051



Phillip A. Washington
Chief Executive Officer

RECOMMENDED FIRMS BY DISCIPLINE
REAL ESTATE APPRAISAL SERVICES BENCH

Discipline	Contractors
1. Real Estate Appraisals	1. BTI Appraisal
	2. CBRE, Inc.
	3. Cushman & Wakefield Western, Inc.
	4. Elizabeth M. Kiley dba Integra Realty Resources – Orange County
	5. Epic Land Solutions, Inc.
	6. Hennessey & Hennessey LLC
	7. Integra Realty Resources – Los Angeles
	8. Keith Settle and Company, Inc.
	9. Lea Associates, Inc.
	10. Norris Realty Advisors
	11. Pacific Real Estate Consultants, Inc.
	12. R.P. Laurain & Associates, Inc.
	13. Riggs & Riggs, Inc.
	14. Santolucito Doré Group, Inc.
	15. Thompson & Thompson Real Estate Valuation and Consulting
2. Furniture, Fixtures and Equipment Appraisals	1. BTI Appraisal
	2. Desmond, Marcello & Amster, LLC
3. Business Goodwill Appraisals	1. Desmond, Marcello & Amster, LLC
	2. Donna Desmond Associates

PROCUREMENT SUMMARY

**REAL ESTATE APPRAISAL SERVICES BENCH
PS66091000 through PS66091018**

1.	Contract Number: PS66091000 through PS66091018	
2.	Recommended Vendor: Various (see Attachment A-1)	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order <input checked="" type="checkbox"/> RFIQ	
4.	Procurement Dates:	
	A. Issued: October 21, 2019	
	B. Advertised/Publicized: October 21, 2019	
	C. Pre-Proposal Conference: November 1, 2019	
	D. Proposals Due: January 16, 2020	
	E. Pre-Qualification Completed: In-process	
	F. Conflict of Interest Form Submitted to Ethics: April 22, 2020	
	G. Protest Period End Date: August 25, 2020	
5.	Solicitations Picked-up/Downloaded: 56	Proposals Received: 27
6.	Contract Administrator: Mark Marukian	Telephone Number: 213-418-3313
7.	Project Manager: Michael Daniels	Telephone Number: 213-922-3584

A. Procurement Background

This Board Action is to approve Contract Nos. PS66091000 through PS66091018 issued to provide Real Estate Appraisal Bench services. Board approval of contract awards are subject to resolution of any properly submitted protest.

Contracts will be issued to the qualified contractors for professional services required in support of the following real estate acquisition discipline requirements: (1) Real Estate Appraisals, (2) Furniture, Fixtures & Equipment Appraisals and (3) Business Goodwill Appraisals.

The Request for Information and Qualifications (RFIQ) was issued on October 21, 2019 in accordance with Metro's Acquisition Policy. The RFIQ was issued with a Disadvantaged Business Enterprise (DBE) goal of 8%. Task orders will be issued on a competitive, firm fixed price basis.

Work will be authorized through the issuance of separate task orders. Individual task order requests under the Bench Contracts will be issued to all qualified Contractors within a specific discipline and will be competed and awarded based on the specific statement of work.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on November 13, 2019, updated DBE participation language and extended the proposal due date.

- Amendment No. 2, issued on December 3, 2019, updated Submittal Requirements and List of Current Projects forms.

A pre-proposal conference was held on November 1, 2019 and was attended by 23 participants representing 19 firms. A follow up meeting was held on November 20, 2019 to provide further clarification on DBE requirements and firm certifications. During the solicitation phase, 40 questions were asked, and responses were released prior to the proposal due date.

A total of 56 firms downloaded the RFP and were included in the planholders list. A total of 27 proposals were received on January 16, 2020.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of Metro’s Real Estate Department staff was established. The PET convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- | | |
|--|------------|
| • Appraisal Experience | 40 percent |
| • Review of Sample Reports | 30 percent |
| • Education/Experience and Professional Qualifications | 25 percent |
| • Expert Witness Experience | 5 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other, similar real estate appraisal services bench procurements. Several factors were considered when developing these weights, giving the greatest importance to appraisal experience.

The technical evaluation of the 27 proposals received concluded in June 2020. Of the 27 proposals, eight were considered non-responsive as a result of not providing required DEOD forms, not meeting the established DBE goal, and/or not meeting DBE good faith efforts.

All remaining 19 responsive proposals are within the competitive range and are being recommended for the bench contracts. After internal reviews and discussion, the PET determined interviews were not necessary. There are 17 firms that represent the 19 proposals.

The 17 responsive firms within the competitive range are listed below in alphabetical order:

1. BTI Appraisal
2. CBRE, Inc.

3. Cushman & Wakefield Western, Inc.
4. Desmond, Marcello & Amster, LLC
5. Donna Desmond Associates
6. Elizabeth M. Kiley dba Integra Realty Resources – Orange County
7. Epic Land Solutions, Inc.
8. Hennessey & Hennessey LLC
9. Integra Realty Resources – Los Angeles
10. Keith Settle and Company, Inc.
11. Lea Associates, Inc.
12. Norris Realty Advisors
13. Pacific Real Estate Consultants, Inc.
14. R.P. Laurain & Associates, Inc.
15. Riggs & Riggs, Inc.
16. Santolucito Doré Group, Inc.
17. Thompson & Thompson Real Estate Valuation and Consulting

Qualifications Summary of Recommended Firms

BTI Appraisal

Established in 1974, BTI Appraisal is headquartered in the heart of Downtown Los Angeles with an office in Orange County. BTI Appraisal is involved in covering the disciplines of real estate, machinery and equipment, business, and goodwill valuation services.

In their proposal, BTI described their experience representing a wide range of governmental entities in the United States and abroad for eminent domain partial and full takes, review appraisals, redevelopment, insurance coverage, lending purposes, bond insurance, relocations, fair market lease rates analysis, bill boards, subsurface and air rights, natural disaster losses, and historical dates of value.

CBRE, Inc.

Since 2008, CBRE is publicly traded and has been a Fortune 500 company. As one of the largest appraisal firms in the world, CBRE has over 90 valuation offices across the United States and has been involved in numerous property appraisals in the United States affected by public projects including transportation, heavy rail, light rail, and high-speed rail projects.

In their proposal, CBRE and its appraisers have worked with numerous public agencies and thoroughly understands local, state, and federal requirements associated with right of way appraisal assignments.

Cushman & Wakefield Western, Inc.

Cushman & Wakefield Western Inc. headquartered in Los Angeles, California, is a wholly owned subsidiary and has performed appraisal services in California

providing real estate valuation and advisory services for numerous California public agencies.

In their proposal, Cushman & Wakefield described their experience with providing real estate valuation and consulting services related to condemnation actions and eminent domain proceedings for various types of properties within California.

Desmond, Marcello & Amster LLC

Founded in 1968, Desmond, Marcello & Amster LLC (DM&A) has provided clients in both the public and private sectors with expertise in the valuation of closely-held businesses, professional practices, and specific intangible assets, such as business goodwill and tangible assets, such as furniture, fixtures and equipment (FF&E).

In their proposal, DM&A has demonstrated that they possess over 50 years of experience appraising businesses, completing thousands of goodwill loss appraisals and has prepared FF&E appraisals for acquisition and eminent domain purposes for over 30 years for both government agencies and private parties.

Donna Desmond Associates

Founded in 1997, Donna Desmond Associates is a business valuation firm specializing in valuing goodwill loss in eminent domain proceedings and since that time, has worked closely with agencies and their consultants to provide goodwill appraisals.

In their proposal, Donna Desmond Associates has been involved in goodwill appraisals throughout California and has provided Metro with multiple goodwill appraisals with various projects for Metro right of way, along with other California transportation agencies such as Orange County Transportation Agency, Riverside County Transportation Commission, and San Bernardino County Transportation Authority.

Elizabeth M. Kiley d.b.a Integra Realty Resources – Orange County

Elizabeth M. Kiley, Inc. was founded on February 17, 2002 and operated with the dba Kiley Company until August 1, 2019 when it was purchased by Beth B. Finestone. Elizabeth M. Kiley, Inc. now operates under the dba Integra Realty Resources – Orange County (IRR-OC). IRR-OC has been involved in appraising properties subject to eminent domain under both State and Federal rules.

In their proposal, IRR-OC described their experience in valuing properties subject to full and partial acquisitions with the requirements of public agencies and right of way firms. They demonstrated appraising of most types of real property including but not limited to, office buildings, shopping centers, industrial properties, hotels and motels, multifamily residential properties, single-family residences, schools and business.

Epic Land Solutions, Inc.

Founded in 2002, Epic Land Solutions, Inc. is a full-service real property appraisal and right of way services firm appraising a wide range of properties throughout the west coast focusing on acquisition and eminent domain work.

Epic Land Solutions, Inc. has served a wide range of public agency clients, including municipalities, counties, water districts, school districts, public utilities, airports, housing authorities, and transportation agencies.

Hennessey & Hennessey LLC

Since 1979, the primary emphasis of Hennessey & Hennessey LLC has been appraisal for eminent domain purposes for public agencies, specializing in appraising properties for negotiated acquisitions, surplus property dispositions, and litigation, as well as appraisal reviews and related services.

In their proposal, Hennessey & Hennessey LLC demonstrated an understanding of the process and complexity involved in eminent domain law. Hennessey & Hennessey LLC have valued permanent easements for various purposes, as well as temporary construction easements, and compensation for loss of use. Hennessey & Hennessey LLC has worked on numerous projects for eminent domain purposes with transportation authorities including Orange County Transportation Agency, Riverside County Transportation Commission, San Bernardino County Transportation Authority, California High-Speed Rail Authority, various cities, and other agencies.

Integra Realty Resources – Los Angeles

Integra Realty Resources – Los Angeles (IRR-LA) is an independently owned firm since 1999. IRR-LA has been in business providing real estate and consulting services for over 20 years. IRR-LA conducts real estate valuation and counseling services for a broad range of property types, addressing diverse client needs.

In their proposal, IRR-LA described their experience with governmental agencies, lending institutions, investment advisory firms, corporations, developers, investors, and the legal profession. The IRR-LA team has significant experience in valuing full and partial acquisitions associated with right of way projects conducting appraisals of investment-grade properties, including office buildings, shopping centers, industrial developments, hotels and motels, apartment and condominium complexes, mobile home parks, and industrial and residential subdivision acreage.

Keith Settle and Company, Inc.

Founded in 1987 and incorporated in 2009, Keith Settle and Company Inc. is a real estate appraisal firm with its principal line of business being real estate/appraisal services with one office located in Sherman Oaks, California.

In their proposal, Keith Settle and Company Inc. demonstrated over 30 years of real estate appraisal services experience appraising a wide variety of property, including commercial, industrial, and residential real estate throughout the Southern California region. Keith Settle and Company Inc. has appraised property for full takings, partial takings, and easements, for government entities. Keith Settle and Company Inc. also has experience testifying in court in support of litigation.

Lea Associates, Inc.

Since 1976, Lea Associates, Inc. has been in continuous operation as a full-service real estate consulting firm which provides real property appraisal services. Lea Associates, Inc. operates through one office in the Westwood area of Los Angeles.

In their proposal, Lea Associates, Inc. demonstrated over 50 years of extensive experience in the appraisal of all types of real property involved in eminent domain settings, on an acquisition level and under condemnation proceedings. Lea Associates, Inc. has provided multiple services with government agencies, including Los Angeles Department of Water and Power, United States General Service Administration, Metropolitan Water District of Southern California, and has worked on Metro Purple Line and Crenshaw/LAX Transit Corridor Projects.

Norris Realty Advisors

Founded in 2000, Norris Realty Advisors, a commercial real estate valuation and consulting firm, has provided both valuation and advisory services to a wide variety of clients, including consulting for mortgage financing purposes, pension fund advisors, insurance companies, governmental agencies, high net worth trust and estate valuation, as well as expert witness and taxation issues.

In their proposal, Norris Realty Advisors, described that they have been involved in several highly complex and unusual valuation assignments, with a specialization in forensic valuation, litigation support, right-of-way, and infrastructure consulting. Norris Realty Advisors has worked with the City of Anaheim, Los Angeles Department of Water and Power, City of Los Angeles, and Metro.

Pacific Real Estate Consultants, Inc.

Since 1987, Pacific Real Estate Consultants, Inc. is a small business that provides real estate appraisal and consulting services to government agencies, cities, lenders, insurance companies, attorneys, accountants, developer's, and individuals.

In their proposal, Pacific Real Estate Consultants, Inc. described having governmental and private agency project experience and background to perform a wide variety of real estate appraisal and consulting services. Pacific Real Estate Consultants, Inc. specializes in all types of real property with an emphasis on income properties, land, partial interest valuations, and the appraisal of special purpose types of property. They have worked on multiple projects with the City of Los Angeles, City of Tustin, and Metro.

R.P. Laurain & Associates, Inc.

R.P. Laurain & Associates, Inc. was established in January 1969, for the purpose of providing professional real estate appraisal services. R. P. Laurain & Associates, Inc. was incorporated November 5, 1979. This appraisal firm has been involved in a variety of real estate appraisal and consultation assignments including many right-of-way projects of full and partial acquisition studies, special use private and public properties, as well as studies for specialized acquisitions of aerial easements, aviation easements, and subway tunnel easements.

In their proposal, R.P. Laurain & Associates, Inc. demonstrated having over 45 years of expertise conducting acquisition and eminent domain appraisal studies. R.P. Laurain & Associates, Inc. has provided services for local, state and federal governmental agencies, of which real estate appraisal services have been conducted for Metro for over 25 years.

Riggs & Riggs, Inc.

Riggs & Riggs, Inc. is a California corporation established in 1995 that provides appraisal and consulting services and has an extensive background in preparing appraisal and consulting assignments for right of way projects both for negotiation and condemnation purposes.

In their proposal, Riggs & Riggs, Inc. demonstrated having over 19 years of right of way appraisal experience. In addition, Riggs & Riggs, Inc. has conducted numerous projects in analyzing and preparing complex right of way assignments, including estimating the value of partial acquisitions of fee, permanent easements, and temporary construction easement interests, as well as estimate severance damages and benefits for public projects.

Santolucito Doré Group, Inc.

Santolucitio Doré Group, Inc., formed in 2015, specializes in real estate appraisal services for public agencies. Santolucitio Doré Group, Inc. is in California and has background in performing appraisals and appraisal reviews for acquisition, right of way, and eminent domain purposes.

In their proposal, Santolucito Doré Group, Inc. described having experience working on multiple public projects throughout California and providing appraisal services, such as cost estimating for budgetary purposes and alternative design analysis, full and partial acquisition appraisals, appraisal reviews, litigation support, and expert testimony.

Thompson & Thompson Real Estate Valuation and Consulting

Incorporated in January 2020, Thompson & Thompson Real Estate Valuation and Consulting is a California corporation that specializes in eminent domain appraisal and litigation support and provides services within California and Arizona. Thompson & Thompson Real Estate Valuation and Consulting has experience providing appraisal services for public and private agencies, including transportation agencies.

In their proposal, Thompson & Thompson Real Estate Valuation and Consulting demonstrated their experience conducting litigation and complex valuations (appraisal and appraisal review) specializing in eminent domain for direct condemnation and inverse condemnation. They described working on multiple projects various agencies including California Department of Transportation, Riverside County Transportation Commission, Orange County Transportation Authority, and Metro.

C. Cost/Price Analysis

The RFIQ contained neither price nor a specific statement of work (SOW). Each future RFP task order will contain a detailed discipline specific SOW which will be competed with the firms within the applicable discipline. Bench contractors will propose a price according to the requirements in the task order SOW and pricing will be determined fair and reasonable based on an independent cost estimate (ICE), a cost/price analysis, fact finding, and negotiations as applicable.

D. Background on Recommended Contractor

All 17 firms listed above, under Qualifications Summary, are recommended for award. These firms have been evaluated and are determined to be responsive and responsible to perform work on Metro assignments on an as-needed, task order basis.

DEOD SUMMARY

REAL ESTATE APPRAISAL SERVICES BENCH / PS66091

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established an 8% Disadvantaged Business Enterprise (DBE) goal for this Task Order Contract. Seventeen (17) firms were selected as prime consultants: BTI Appraisal, CBRE, Cushman & Wakefield Western, Inc., Desmond, Marcello & Amster, LLC, Donna Desmond Associates, Elizabeth M. Kiley, Inc. dba Integra Realty Resources – Orange County, Epic Land Solutions, Hennessey & Hennessey, LLC, Integra Realty Resources – Los Angeles, Keith Settle & Company, Lea Associates, Inc., Norris Realty Advisors, Pacific Real Estate Consultants, Riggs & Riggs, Inc., R. P. Laurain & Associates, Santolucito Dore Group, Inc., and Thompson & Thompson. Each firm committed to or exceeded the 8% DBE goal for this Task Order Contract.

In response to a specific Task Order request with a defined scope of work, prime consultants will be required to identify DBE subcontractor activity and actual dollar value commitments for that Task Order. Overall DBE achievement in meeting the commitments will be determined based on cumulative DBE participation of all Task Orders awarded.

Small Business Goal	8% DBE	Small Business Commitment	8% DBE
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Discipline: Real Estate Appraisal Services**BTI Appraisal**

	DBE Subcontractors	Ethnicity	% Committed
1.	Coresivity, Inc.	Asian Pacific	8%
Total Commitment			8%

CBRE

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC	Caucasian Female	8%
Total Commitment			8%

Cushman & Wakefield Western, Inc.

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC	Caucasian Female	70%
Total Commitment			70%

Discipline: Real Estate Appraisal Services (cont.)

Elizabeth M. Kiley dba Integra Realty Resources – Orange County

	DBE Subcontractors	Ethnicity	% Committed
1.	Integra Realty Resources – Orange County (DBE Prime)	Caucasian Female	100%
Total Commitment			100%

Epic Land Solutions

	DBE Subcontractors	Ethnicity	% Committed
1.	Integra Realty Resources – Orange County	Caucasian Female	TBD
2.	Keith Settle & Company	African American	TBD
Total Commitment			8%

Hennessey & Hennessey LLC

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC (DBE Prime)	Caucasian Female	30%
Total Commitment			30%

Integra Realty Resources – Los Angeles

	DBE Subcontractors	Ethnicity	% Committed
1.	Integra Realty Resources – Orange County	Caucasian Female	8%
Total Commitment			8%

Keith Settle & Company

	DBE Subcontractors	Ethnicity	% Committed
1.	Keith Settle & Company (DBE Prime)	African American	100%
Total Commitment			100%

Discipline: Real Estate Appraisal Services (cont.)

Lea Associates, Inc.

	DBE Subcontractors	Ethnicity	% Committed
1.	Integra Realty Resources – Orange County	Caucasian Female	8%
Total Commitment			8%

Norris Realty Advisors

	DBE Subcontractors	Ethnicity	% Committed
1.	Aynzela, Inc.	Caucasian Female	8%
Total Commitment			8%

Pacific Real Estate Consultants, Inc.

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC	Caucasian Female	8%
Total Commitment			8%

Riggs & Riggs

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC	Caucasian Female	8%
Total Commitment			8%

R. P. Laurain & Associates

	DBE Subcontractors	Ethnicity	% Committed
1.	Hennessey & Hennessey LLC	Caucasian Female	8%
Total Commitment			8%

Santolucito Dore Group, Inc.

	DBE Subcontractors	Ethnicity	% Committed
1.	Santolucito Dore Group, Inc. (DBE Prime)	Caucasian Female	100%
Total Commitment			100%

Thompson & Thompson

	DBE Subcontractors	Ethnicity	% Committed
1.	Integra Realty Resources – Orange County	Caucasian Female	8%
Total Commitment			8%

Discipline: Furniture, Fixtures, and Equipment

BTI Appraisal

	DBE Subcontractors	Ethnicity	% Committed
1.	Coresivity, Inc.	Asian Pacific	8%
Total Commitment			8%

Desmond, Marcello, & Amster, LLC

	DBE Subcontractors	Ethnicity	% Committed
1.	n/a (submitted Good Faith Efforts documentation)	n/a	n/a
Total Commitment			n/a

Discipline: Business Goodwill

Desmond, Marcello, & Amster, LLC

	DBE Subcontractors	Ethnicity	% Committed
1.	n/a (submitted Good Faith Efforts documentation)	n/a	n/a
Total Commitment			n/a

Donna Desmond Associates

	DBE Subcontractors	Ethnicity	% Committed
1.	Donna Desmond Associates (DBE Prime)	Caucasian Female	100%
Total Commitment			100%

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.