

# **Metro**

*Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza  
3rd Floor Board Room*



## **Agenda - Final**

**Wednesday, November 20, 2019**

**1:00 PM**

**One Gateway Plaza, Los Angeles, CA 90012,  
3rd Floor, Metro Board Room**

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

*Kathryn Barger, Chair  
Ara Najarian, Vice Chair  
Jacquelyn Dupont-Walker  
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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**NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA**

## CALL TO ORDER

## ROLL CALL

19. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 FIRST QUARTER REPORT** [2019-0774](#)

### **RECOMMENDATION**

RECEIVE AND FILE the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2019.

**Attachments:** [Attachment A - FY20 Q1 Report.pdf](#)

20. **SUBJECT: MUNICIPAL ADVISORS** [2019-0757](#)

### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award six-year bench Contract Nos. PS64441000A through PS64441000J with the firms listed in Attachment A for municipal advisory services and execute task orders under these contracts for a total not-to-exceed amount of \$6,590,000 effective January 1, 2020 through December 31, 2025, subject to the resolution of protest(s) if any.

**Attachments:** [Attachment A - Procurement Summary](#)  
[Attachment B - DEOD Summary](#)

- SUBJECT: GENERAL PUBLIC COMMENT** [2019-0811](#)

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



Metro

Los Angeles County  
Metropolitan Transportation  
Authority  
One Gateway Plaza  
3rd Floor Board Room  
Los Angeles, CA

## Board Report

**File #:** 2019-0774, **File Type:** Informational Report

**Agenda Number:** 19.

### FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 20, 2019

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 FIRST QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2019.

#### **ISSUE**

Management Audit must provide a quarterly activity report to the Finance, Budget and Audit Committee which includes information on: completed audits, audits that are in progress, our follow-up activities and any other pertinent matters.

#### **BACKGROUND**

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the first quarter of FY 2020.

#### **DISCUSSION**

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these

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units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of Management Audit activity for the quarter ending September 30, 2019 is as follows:

Internal Audits: Four internal audits were completed during the first quarter. As of September 30, 2019, 15 internal audits were in process.

External Audits: Four contract pre-award audits with a total value of \$28 million and six incurred cost audits with a total value of \$9.7 million were completed during the first quarter. As of September 30, 2019, 53 incurred cost audits were in process.

Audit Follow-up and Resolution: Nine recommendations were closed during first quarter. In addition, 16 recommendations for the OIG were closed during first quarter. Details of all open, extended, and closed recommendations can be found in the First Quarter Board Box titled "Status of Audit Recommendations".

Other Activities: Management Audit Services, in coordination with Vendor / Contract Management developed the Transitional Indirect Cost Rate (TICR) program policy and application process. This program allows firms the use of a conditional indirect cost rate for a period of 12 months from the initial contract award. As of July 2019, one firm has been approved to use a TICR.

Management Audit's FY 2020 first quarter report is included as Attachment A.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. However, the projects completed directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

## **NEXT STEPS**

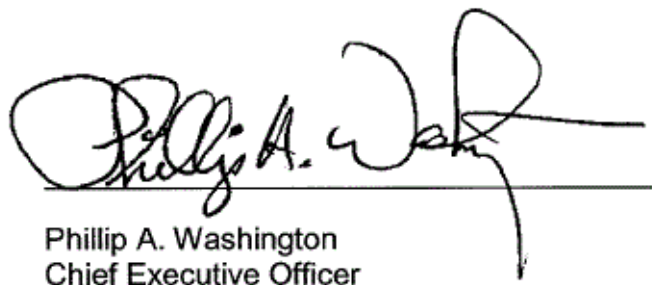
Management Audit will provide the second quarter summary of FY 2020 audit activity to the Board at the February 2020 Finance, Budget and Audit Committee meeting.

## **ATTACHMENT**

Attachment A - FY20 Q1 Report

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

Reviewed by: Diana Estrada, Chief Auditor, (213) 922-2161



Phillip A. Washington  
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES  
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan  
Transportation Authority**

***First Quarter  
FY 2020***



**Metro™**



# *TABLE OF CONTENTS*

|  |    |
|--|----|
| EXECUTIVE SUMMARY  |    |
| Summary of Audit Activity  | 1  |
| Other Activities   | 3  |
| EXTERNAL AUDITS  |    |
| Contract Pre-Award Audit   | 4  |
| Incurred Cost Audit  | 4  |
| INTERNAL AUDITS  |    |
| Performance Audit of Finance (Payroll)'s COOP                        | 5  |
| Performance Audit of MV Transportation Contracted Bus Service        |    |
| Contract Compliance  | 5  |
| Independent Auditor's Report for Metro's Bus Advertising Contractor  | 5  |
| Independent Auditor's Report for Metro's Rail Advertising Contractor | 6  |
| AUDIT SUPPORT SERVICES   |    |
| Audit Follow-Up and Resolution                                       | 7  |
| SUMMARY TABLES   |    |
| Appendix A – Contract Pre-Award Audits Completed                     | 8  |
| Appendix B – Incurred Cost Audits Completed                          | 9  |
| Appendix C – Internal Audits in Process                              | 10 |
| Appendix D – Open Audit Recommendations                              | 12 |
| Appendix E – OIG Open Audit Recommendations                          | 19 |

# *EXECUTIVE SUMMARY*

## Summary of Audit Activity

During the first quarter of FY 2020, 14 projects were completed. These include:

### Internal Audits

- Performance Audit of Finance (Payroll)'s Continuity of Operations Plan (COOP);
- Performance Audit of MV Transportation Contracted Bus Service Contract Compliance;
- Independent Auditor's Report for Metro's Bus Advertising Contractor; and
- Independent Auditor's Report for Metro's Rail Advertising Contractor.

### Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures of New Flyer of America, Inc.'s compliance with U.S. Employment Program; and
- Three (3) Independent Auditor's Report on Agreed-Upon Procedures for the cost proposal for the WB SR-91 Alondra to Shoemaker Improvement Project.

### Incurred Cost Audits

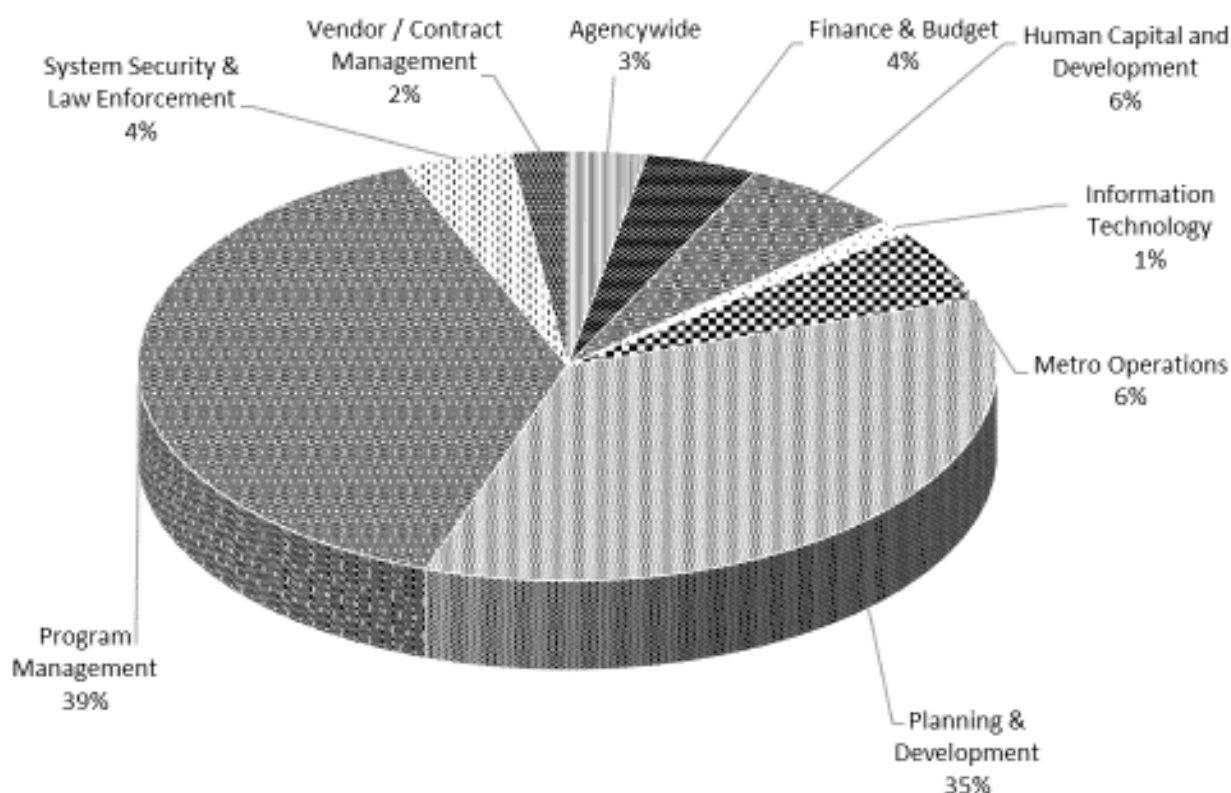
- Independent Auditor's Report on Agreed-Upon Procedures of Cogstone Resource Management, Inc.'s indirect cost rates for fiscal years 2013-2015 for the Westside Subway Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of Ted Tokio Tanaka Architects' final indirect cost rates for fiscal years 2014-2015 for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures of Advantec Consulting Engineers, Inc.'s final indirect cost rates for fiscal year 2016 for the Westside Purple Line Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of Ramboll Environ's interim incurred cost for fiscal years 2011 and 2013-2015 for the I-710 Corridor Project Environmental Impact Report/Study;
- Independent Auditor's Report on Agreed-Upon Procedures of Ted Tokio Tanaka Architects' final indirect cost rates for fiscal years 2016-2017 for the Regional Connector Transit Corridor Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of Grimshaw Architects, P.C.'s interim incurred cost for the period August 7, 2015 through November 30, 2016 for the Airport Metro Connector 96<sup>th</sup> Street Transit Station.

The completed external audits are discussed on page 4. Discussions of the internal audits begin on page 5.

## *EXECUTIVE SUMMARY*

Sixty-nine projects were in process as of September 30, 2019; these included 15 internal audits, one contract pre-award audit, and 53 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during first quarter FY 2020:



### Audit follow-up:

- Nine recommendations were closed during the first quarter. At the end of the quarter there were 40 open audit recommendations.
- In addition, we closed 16 OIG recommendations. At the end of the quarter there were 83\* open audit recommendations.

\*This total does not include recommendations for the Audit of Westside Purple Line Extension Section 2- Modification No. 52 as the management response and/or estimated completion dates are still pending.

# *EXECUTIVE SUMMARY*

## Other Activities

### Transitional Indirect Cost Rate (TICR) Pilot Program

At the September 2017 Board meeting Director Dupont-Walker requested that staff report back on efforts for streamlining audits for small businesses. One area that was targeted was simplifying indirect cost rates (ICR). A result of those efforts was the establishment of the TICR Pilot Program. This program allows firms the use of a conditional indirect cost rate for a period of 12 months from the initial contract award. The TICR is used for funding, interim reimbursement, and reporting indirect costs awards. During the conditional period the firm will establish data with the intent of establishing a final ICR. MAS, in coordination with Vendor / Contract Management (VCM) developed the TICR program policy and application process. As of July 2019, one firm has been approved to use a TICR. MAS and VCM are now including information on the TICR Program in contract kick-off meetings to ensure firms are aware of the program.

# *EXTERNAL AUDITS*

## Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During first quarter FY 2020, four audits were completed, reviewing approximately \$28 million. Auditors questioned \$320 thousand of the proposed costs. The audits supported procurements in the following areas:

- U.S. Employment Program; and
- WB SR-91 Alondra to Shoemaker Improvement Project.

One contract pre-award audit was in process as of September 30, 2019.

Details on Contract Pre-Award Audits completed during first quarter FY 2020 are included in Appendix A.

## Incurred Cost Audit

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

Incurred Cost Audit completed six audits during first quarter FY 2020. We reviewed \$9.7 million of funds and identified \$2 million or 20% of funds that may be reprogrammed. Fifty-three incurred cost audits were in process as of September 30, 2019.

Details on Incurred Cost Audits completed during first quarter FY 2020 are included in Appendix B.

# *INTERNAL AUDITS*

For the first quarter of FY 2020, four internal audits were completed. Fifteen internal audits were in process as of September 30, 2019. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the first quarter FY 2020:

*Performance Audit of Finance (Payroll)'s Continuity of Operations Plan (COOP)*

The audit objective was to evaluate the adequacy of Finance (Payroll)'s COOP and Standard Operating Procedures (SOPs) to support Finance (Payroll)'s mission essential functions during emergencies.

We found that Finance (Payroll)'s COOP identifies Finance's primary mission essential functions and has been in place since November 2017. Payroll participates with the other selected business units to test emergency systems including applications and processing of transactions in an off-site facility in California. However, Finance (Payroll)'s COOP and the supporting SOPs need to include additional key information (e.g. activation criteria, key personnel contacts, etc.) to improve Payroll's ability to efficiently and effectively continue its mission essential function in the event of an emergency.

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

*Performance Audit of MV Transportation Contracted Bus Service Contract Compliance*

Management Audit Services (MAS) contracted BCA Watson Rice LLP (BCA) to complete a performance audit of MV Transportation Contracted Bus Service Contract Compliance. The audit was part of the FY19 Audit Plan. The audit objective was to determine MV Transportation's compliance with Contract No. OP38384 as it relates to bus maintenance, quality control and driver safety.

BCA found that MV Transportation was in compliance with the Metro contract requirements related to bus maintenance, quality control, and driver safety. However, the auditors identified six business process improvements for MV Transportation and Metro's consideration. The six suggested process improvements are intended to enhance overall contract performance and are described in detail in the audit report. Both MV Transportation and Metro's Operations management were receptive to the suggested improvements and agreed to explore the possibility of implementing the recommendations.

*Independent Auditor's Report for Metro's Bus Advertising Contractor*

MAS contracted with BCA to assist the Communications department in evaluating Outfront Media Group, LLC's (Outfront), the bus advertising contractor, compliance with the Contract No. PS41099B terms of revenue share with Metro for year 1, from March 1, 2018 to February 28, 2019.

## *INTERNAL AUDITS*

The auditors found that Outfront was in compliance with the contract terms of revenue share with Metro. Metro received the minimum guaranteed payments of \$23,500,000 which is \$6,494,790 more than 55 percent (%) of the bus advertising revenue of \$30,918,563 for Year 1.

### *Independent Auditor's Report for Metro's Rail Advertising Contractor*

MAS contracted with BCA to assist the Communications department in evaluating Intersection Parent, Inc.'s (Intersection), the rail advertising contractor, compliance with the Contract No. PS41099R terms of revenue share with Metro for year 1, from March 1, 2018 to February 28, 2019.

The auditors found that Intersection was in compliance with the contract terms of revenue share with Metro for Year 1. Metro received total payment of \$2,244,455 which is \$244,455 more than the minimum guaranteed payment of \$2,000,000. The \$2,244,455 represents 55% of the rail advertising revenue of \$4,080,827 for Year 1.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During the first quarter, nine recommendations were completed and closed. At the end of the quarter there were 40 outstanding audit recommendations. The table below summarizes the third quarter activity.

### Summary of MAS and External Audit Recommendations As of September 30, 2019

| Executive Area                      | Closed | Late | Extended | Not Yet Due/Under Review | Total Open |
|-------------------------------------|--------|------|----------|--------------------------|------------|
| Communications                      |        |      | 2        |                          | 2          |
| Finance & Budget                    |        |      | 1        | 3                        | 4          |
| Information Technology Services     | 3      |      | 2        |                          | 2          |
| Metro Operations                    | 1      |      | 6        | 5                        | 11         |
| Planning and Development            | 1      |      | 1        | 1                        | 2          |
| Program Management                  | 4      |      |          | 1                        | 1          |
| System Security and Law Enforcement |        |      |          | 5                        | 5          |
| Vendor/Contract Management          |        |      |          | 13                       | 13         |
| Total                               | 9      |      | 12       | 28                       | 40         |

In addition to the above MAS and external audit recommendations, we closed 16 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 83\* outstanding OIG audit recommendations.

Details of open audit recommendations for MAS and OIG are included in Appendix D and E, respectively.

\*This total does not include recommendations for the Audit of Westside Purple Line Extension Section 2- Modification No. 52 as the management response and/or estimated completion dates are still pending.



## Appendix A

| Contract Pre-Award Audit - Audits Completed During First Quarter |                        |                                   |                                   |           |                                |                |
|--|------------------------|-----------------------------------|-----------------------------------|-----------|--------------------------------|----------------|
| No.  | Area                   | Audit Number & Type               | Auditee                           | Frequency | Requirement                    | Date Completed |
| 1  | Operations             | 19-OPS-A02 Agreed-Upon Procedures | New Flyer of America, Inc.        | Once      | V/CM Policy and Contract Terms | 7/2019         |
| 2  | Planning & Development | 20-PLN-A06 Agreed-Upon Procedures | Advanced Civil Technologies, Inc. | Once      | V/CM Policy and Contract Terms | 9/2019         |
| 3  | Planning & Development | 20-PLN-A05 Agreed-Upon Procedures | WKE, Inc.                         | Once      | V/CM Policy and Contract Terms | 9/2019         |
| 4  | Planning & Development | 20-PLN-A03 Agreed-Upon Procedures | Michael Baker International, Inc. | Once      | V/CM Policy and Contract Terms | 9/2019         |

## Appendix B

| Incurred Cost Audit - Audits Completed During First Quarter |                        |                                    |                                     |            |                                |                |
|---|------------------------|------------------------------------|-------------------------------------|------------|--------------------------------|----------------|
| 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   | Program Management     | 18-CON-A13 Agreed-Upon Procedures  | Advantec Consulting Engineers, Inc. | Once       | V/CM Policy and Contract Terms | 8/2019         |
| 4   | Planning & Development | 17-PLN-A16A Agreed-Upon Procedures | Ramboll Environ                     | Once       | V/CM Policy and Contract Terms | 8/2019         |
| 5   | Program Management     | 19-CON-A23 Agreed-Upon Procedures  | Ted Tokio Tanaka Architects         | 2nd Time   | V/CM Policy and Contract Terms | 8/2019         |
| 6   | Planning & Development | 17-PLN-A20 Agreed-Upon Procedures  | Grimshaw Architects, P.C.           | First Time | V/CM Policy and Contract Terms | 8/2019         |

## Appendix C

| Internal Audit - In Process Audits as of September 30 2019 |  |  |   |                                  |                     |                              |
|--|--|--|---|----------------------------------|---------------------|------------------------------|
| No.  | Area   | Audit Number & Title   | Description   | Frequency                        | Requirement         | Estimated Date of Completion |
| 1  | Pension and Benefits                                 | 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 | 10/2019                      |
| 2  | Metro 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                      |
| 3  | Metro Operations                                     | 19-OPS-P03 - Performance Audit of SCADA Security Controls  | To 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 remove connection, and other additional areas as deemed necessary.   | 2nd Time; Last Audit 7 years ago | Per FY19 Audit Plan | 11/2019                      |
| 4  | System Security & 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  | Metro Operations                                     | 16-OPS-P03 - Performance Audit of Accident Prevention Program  | To 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 | 11/2019                      |
| 6  | Vendor/Contract Management                           | 17-VCM-P02 - Performance Audit of Change Order Internal Controls   | To 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 | 11/2019                      |
| 7  | Planning & Development                               | 20-PLN-P01 - Performance Audit of Low Income Housing Targets/Goals   | Determine adequacy of monitoring compliance with Low Income Housing Targets/Goals.  | First Time                       | Per FY20 Audit Plan | 11/2019                      |
| 8  | Human Capital & Development / Finance & Budget       | 17-OMB-P04 - Performance Audit of Position Reconciliation Process  | To evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Capital & Development and Office of Management and Budget.  | 2nd Time; Last Audit 9 years ago | Per FY17 Audit Plan | 12/2019                      |
| 9  | Metro Operations / System Security & 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 | 12/2019                      |

## Appendix C

| Internal Audit - In Process Audits as of September 30 2019 |  |  |  |                                  |                     |                              |
|--|--|--|--|----------------------------------|---------------------|------------------------------|
| No.  | Area   | Audit Number & Title   | Description  | Frequency                        | Requirement         | Estimated Date of Completion |
| 10   | Metro Operations                                     | 19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase I                 | 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 | 12/2019                      |
| 11   | Agency-Wide  | 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 | 12/2019                      |
| 12   | 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 | 12/2019                      |
| 13   | Information Technology                               | 20-ITS-P02 Follow-Up Audit of Information Security   | To evaluate if prior information security corrective actions were implemented.   | 2nd Time; Last Audit 9 years ago | Per FY20 Audit Plan | 3/2020                       |
| 14   | 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 | 6/2020                       |
| 15   | Operations / Risk, Safety / Environmental Compliance | 20-OPS-P01 - Performance Audit of Personal Protective Equipment for Maintenance                            | Determine 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 FY18 Audit Plan | 11/2020                      |

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                                 |  |          |   |                          |                          |
|--|---------------------------------|--|----------|---|--------------------------|--------------------------|
| No.  | Area                            | Audit Number & Title   | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 1  | Communications                  | 16-COM-P01 Special Fares Programs  | 21       | We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.<br><b>Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.</b>  | 3/31/2017                | 12/31/2019               |
| 2  | Communications                  | 16-COM-P01 Special Fares Programs  | 23       | We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements.<br><b>Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.</b>  | 3/31/2017                | 12/31/2019               |
| 3  | Information Technology Services | 17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management | 3        | We recommend that the Chief Information Officer require that all IT required project documentation be completed for each phase of all IT projects, based on the IT Project Management Methodology. This is especially important to show adequate requirements analysis and measurement of end-user involvement, testing, and acceptance.<br><b>Update: ITS reports that it is in the process of recruiting additional members for its executive management team who will focus on project management and the PMO (project management office) function. The recruitment of these executive has not been completed but is expected to be finalized by the end of the calendar year.</b>   | 6/30/2019                | 12/31/2019               |
| 4  | Information Technology Services | 17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management | 5        | We recommend that the Chief Information Officer require that IT controls are designed into new systems and reflected within IT project management plans, and resulting operational procedures. A risk-based approach to the design and implementation of controls, related to application and related systems and business processes, should be utilized. Focus should be placed on risks that have the highest impact and likelihood to occur. At a minimum, the following controls should be addressed on all IT projects to ensure a sound control environment upon completion: Data Security Controls, Financial Controls, Application Controls, General Computer Controls (Infrastructure), Data Conversion Controls, Interface Controls, Data Integrity Controls.<br><b>Update: ITS reports that it is in the process of obtaining a subject matter expert to assist in reviewing its proposed IT Project Management Methodology that it plans to roll out in the future, which will address the subject matter of this recommendation.</b> | 6/30/2019                | 12/31/2019               |

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                            |  |          |  |                          |                          |
|--|----------------------------|--|----------|--|--------------------------|--------------------------|
| No.  | Area                       | Audit Number & Title   | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 5  | Operations                 | 17-OPS-P07 Performance Audit of the Track Allocation Process   | 4a       | <p>We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification.</p> <p><b>Update: This recommendation is about 30% complete. Operations is developing an electronic Track Allocation Form/Schedule, integrating System Generated Special Events Calendar, generating an electronic Work Permit, and generating System Reports.</b></p> | 6/30/2019                | 4/30/2020                |
| 6  | Operations                 | 17-OPS-P07 Performance Audit of the Track Allocation Process   | 4b       | <p>We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected.</p> <p><b>Update: Pending completion of recommendation 4a.</b></p>  | 6/30/2019                | 4/30/2020                |
| 7  | Vendor/Contract Management | 16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program | 2        | <p>We recommend that Executive Officer of Vendor/Contract Management, support services direct the Agency Program Coordinator to work with Talent Development to add P-Card refresher training to the training profile of all Cardholders and Approving Officials showing it as mandatory training to automatically trigger a refresher training reminder. This would afford the mandatory P-Card refresher training similar process such as Human Trafficking Awareness and Basic IT Security Awareness training which both are required for all Metro employees.</p> <p><b>Update: Closed as of October 2019.</b></p>   | 9/30/2019                |                          |
| 8  | Finance & Budget           | 16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program | 4        | <p>We recommend that Accounts Payable coordinate with Information Technology Systems and the Agency Program Coordinator to automate the approval process to improve processing time of P-Card statements as well as authentication of the approvers.</p> <p><b>Update: Accounting staff met with ITS to discuss the approval process automation project for P-Card. Based on current workload, approval workflow, testing and user training will be implemented by March 31 2020.</b></p>  | 8/30/2019                | 3/31/2020                |

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                                     |  |          |  |                          |                          |
|--|-------------------------------------|--|----------|--|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title   | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 9  | System Security and Law Enforcement | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 1a       | 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.   | 6/30/2020                |                          |
| 10   | 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. | 10/30/2020               |                          |
| 11   | 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.   | 4/30/2020                |                          |
| 12   | 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.  | 7/31/2020                |                          |
| 13   | 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.  | 3/31/2020                |                          |
| 14   | 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.   | 10/30/2020               |                          |
| 15   | Planning & Development              | 18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project                              | 2        | We recommend Metro's Countywide and Planning Development Management to conduct Fiscal Stability Overview and Funding Commitment Inventory analyses annually for the planned capital programs.  | 12/31/2019               |                          |

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

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                        |   |          |  |                          |                          |
|--|------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                   | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 16   | Planning & Development | 18-CON-P01 Performance Audit of the Regional Connector Transit Corridor Project                               | 3        | We recommend Grants Management and Oversight Unit Strategic Management to review if existing procedures are in-place to corroborate or document the allocation and changes in project revenue streams such as the Lease Revenue and FAST/CMAQ funds in fiscal years, 2020/2021 and 2021/2022.<br><b>Update: Grants Management and Oversight Unit Strategic Management staff reviewed its existing Processes and Procedures Manual that address documenting funding allocations or changes in revenue. However, no such procedures currently exist. Grants Management and Oversight Unit Strategic Management staff will develop and draft procedures to be included as an amendment to chapter 2 of its Processes and Procedures Manual.</b> | 6/30/2019                | 12/31/2019               |
| 17   | Operations             | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes | 1        | We recommend Operations management develop a procedure to track operators that were already assigned OCB for the week to reduce the risk of assigning them OCB again the same week.<br><b>Update: This recommendation will be corrected by the corrective action described in recommendation #4.</b>   | 9/30/2019                | 12/31/2019               |
| 18   | Operations             | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes | 2        | We recommend Operations management ensure that Division Staff require Operators to provide a signed VCB request form to prevent the VCB from being erroneously recorded as OCB.<br><b>Update: Management responded that this will be resolved by the fix to resolve recommendation #4, but the underlying problem requires a change in manual procedures. MAS is following up with Operations to determine whether and how this has been resolved.</b>   | 9/30/2019                | 12/31/2019               |
| 19   | Operations             | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes | 3        | We recommend Operations management periodically monitor OCB assignments and identify Division(s) with high exception rates. Perform a root cause analysis to evaluate alternatives to resolve, e.g., requesting support to cover workforce shortages in certain Division(s).   | 12/31/2019               |                          |
| 20   | Operations             | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes | 4        | We recommend Operations management continue working with ITS to implement the planned automated controls to prevent OCB more than once per week.<br><b>Update: Management requested and received a program change from the vendor to prevent off-duty call back (OCB) more than once per week, which was tested, modified, and implemented at the end of September 2019. MAS will test effectiveness of the fix once the required test data becomes available.</b>   | 7/31/2019                | 12/31/2019               |

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## Appendix D

| Open Audit Recommendations as of September 30 2019 |                            |   |          |   |                          |                          |
|--|----------------------------|---|----------|---|--------------------------|--------------------------|
| No.  | Area                       | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 21   | Operations                 | 18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes                   | 5        | We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date.  | 12/31/2019               |                          |
| 22   | 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.  | 12/31/2019               |                          |
| 23   | 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.  | 12/31/2019               |                          |
| 24   | 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.   | 12/31/2019               |                          |
| 25   | 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.<br><b>Update: Management prepared a worksheet of underpayment corrections and provided it to MAS for review in October 2019. MAS review is pending receipt of reference data to confirm this. These corrections are expected to be finalized and submitted to Payroll.</b> | 9/30/2019                | 12/31/2019               |
| 26   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 1        | We recommend that DEOD Management collaborate with Contract Administration to develop procedures and establish the timeline for ensuring that information about modifications to contract values is promptly communicated from contract administrators to DEOD staff to update the B2G system information.  | 10/31/2019               |                          |
| 27   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 2        | We recommend that DEOD Management identify individuals within DEOD who should receive the contract change data from the Contract Administrators and Project Managers for updating the information in the B2G system.  | 10/31/2019               |                          |

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

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                            |   |          |  |                          |                          |
|--|----------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                       | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 28   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 3        | We recommend that DEOD Management implement a supervisory review of DEOD staff/consultants' data entries to ensure the data entered into the B2G system is complete, accurate and valid.   | 10/31/2019               |                          |
| 29   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 4        | We recommend that DEOD Management work with ITS and the Vendor of the B2G System to explore the feasibility of creating a reporting template in the B2G system that includes a built in formula that will automatically calculate the elements that DEOD requires for TBAC reports. This should include ensuring that the reporting template links properly to data sources within the B2G system for calculation purposes and that the calculations are correct.  | 10/31/2019               |                          |
| 30   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 5        | We recommend that DEOD Management work with the ITS and the Vendor of the B2G system to explore the possibility of developing a standardized shortfall communication template which includes all needed elements to inform contractors of their shortfall status. The template should be linked to data sources within the B2G system for accurate information. Also explore the possibility whether the letters can be automatically sent out to contractors for timely communication of the shortfall status. (This is for the long-term.)                             | 10/31/2019               |                          |
| 31   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 6        | We recommend that the DEOD Management direct the Compliance Managers to develop a mechanism to ensure that all required shortfall letters are actually being prepared and sent to the respective Prime Contractors for remedial action. (For example, periodically performing a supervisory review to compare the quantity of Prime contractors that are in a shortfall status as of a given date to the actual shortfall letters that have been prepared and sent out to the respective Prime contractor. Based on the comparison, reconcile any differences if noted.) | 10/31/2019               |                          |
| 32   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 7a       | We recommend that DEOD management Instruct the DEOD consultant to prepare written procedures for all key activities for inputting, tracking/monitoring and communicating SBE/DBE compliance data in the B2G system.  | 10/31/2019               |                          |
| 33   | Vendor/Contract Management | 18-VCM-P02 Performance Audit of the Tracking of Small Business Enterprise (SBE) \ Disadvantaged Business Enterprise (DBE) Goals | 7b       | We recommend that DEOD management Instruct the DEOD consultant to train another designated DEOD staff in inputting, tracking and monitoring data in the B2G system, using these procedures.  | 10/31/2019               |                          |

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

## Appendix D

| Open Audit Recommendations as of September 30 2019 |                                     |   |          |   |                          |                          |
|--|-------------------------------------|---|----------|---|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 34   | System 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                |                          |
| 35   | System 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". | 7/31/2020                |                          |
| 36   | System 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.  | 7/31/2020                |                          |
| 37   | System 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.  | 7/31/2020                |                          |
| 38   | 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                |                          |
| 39   | 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                |                          |
| 40   | 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                |                          |

## Appendix E

## OIG Open Audit Recommendations as of September 30 2019

| 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 | 14 Total | The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc.<br><b>Update: As of July 2019, 103 of 117 recommendations were closed.</b>  | Pending                  |                          |
| 2   | Operations     | 18-AUD-03 Review of Metro Rail Service Disruptions                   | 9        | Set priorities based on Metro's asset assessment as soon as it is completed to reduce delay incidents.   | 6/30/2019                | 9/30/2019                |
| 3   | Operations     | 18-AUD-03 Review of Metro Rail Service Disruptions                   | 25       | Consider converting some P2000 cars running on the MBL/Expo lines back to the MGL operation if the ATO/ATP packages removed earlier are still available. The critical float will be the P2000 MGL cars with their line specific ATO/ATP equipment.   | 12/31/2020               |                          |
| 4   | 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                | 9/30/2019                |
| 5   | 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                | 9/30/2019                |
| 6   | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study          | 1        | Increase marketing to specific audience groups to increase ridership by developing additional marketing programs directly aimed at user groups such as students, business and government entities, and employees "Live Near Your Work" campaigns.  | 12/31/2019               |                          |
| 7   | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study          | 2a       | Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the City of LA could increase its monthly transit subsidy to be more in line with monthly transit costs.  | 12/31/2019               |                          |
| 8   | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study          | 2b       | Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example, the County of LA could expand its current commuter programs to provide employees subsidies for using public transit/rideshare for commute trips for all County work locations at a monthly rate closer to actual costs. | 12/31/2019               |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                |   |          |   |                          |                          |
|--|----------------|---|----------|---|--------------------------|--------------------------|
| No.  | Area           | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 9  | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study     | 3        | Explore modifications to Metro's Employer Annual Pass Program to further encourage transit usage, such as the addition of a monthly pass option.  | 12/31/2019               |                          |
| 10   | Communications | 18-AUD-04 Increasing Public Transit and Rideshare Use Study     | 5        | Encourage use of public transit at meetings and events where contractors will be present.   | 12/31/2019               |                          |
| 11   | Operations     | 19-AUD-01 Metro Transit Security Performance Review             | 7        | Metro Operations should monitor and track the amount of time required to transfer calls requiring a law enforcement response to the appropriate law enforcement dispatch center and take appropriate actions to ensure calls are quickly processed.   | Pending                  |                          |
| 12   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 1        | We recommend that Operations Management continue to communicate to bus operators and controllers on a regular basis that the practice of bus operators performing battery shutdowns has ceased.   | 11/30/2019               |                          |
| 13   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 2        | We recommend that Operations Management continue to assess and provide the resources required to minimize transit customer delay time given that the battery reset process did fix some operational problems.   | 11/30/2019               |                          |
| 14   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 3        | We recommend that Operations Management continue to study what circumstances cause bus field repairs and what specifications might be included in future procurements for systems and devices used in buses to reduce breakdowns and improve bus performance.   | 11/30/2019               |                          |
| 15   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 4        | We recommend that Operations Management consider the engineering adjustments necessary for improved safety of operators or others associated with battery resets that might occur by operators regardless of the new guidelines to cease operator battery resets.   | 11/30/2019               |                          |
| 16   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 5        | We recommend that Operations Management consider if battery hatches should be locked the way hatches inside the buses are to prevent unauthorized access.   | 11/30/2019               |                          |
| 17   | Operations     | 19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices | 6        | We recommend that Operations Management consider if further research on what circumstances or problems are corrected by a soft software reset versus a full battery reset, if it is possible to mitigate risks for software diagnostic damages in the event of a battery reset, and if considering the time it takes for a mechanic to arrive, it might be more efficient to allow the performance of the appropriate reset in those cases. | 11/30/2019               |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |            |   |          |  |                          |                          |
|--|------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area       | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 18   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 1        | Metro should continue to install the bus operator safety barriers and onboard camera and monitor systems throughout its bus fleet and continue to monitor incident data to further verify the effectiveness of both systems in preventing assaults on bus operators.   | 10/31/2019               |                          |
| 19   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 2a       | Metro should ensure data collection is standardized by Metro and all transit security providers and investigators to consistently identify the types of assaults that have occurred, if the bus was equipped with a safety barrier, if the barrier was in use at the time of the assault, and if in use, how it was being used (i.e., top portion only, bottom portion only, or both portions). Standardizing the data in this manner will result in more accurate and consistent data that can be more easily analyzed to identify trends and to measure performance. | 10/31/2019               |                          |
| 20   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 2b       | Metro should ensure data is collected on the type and extent of injuries incurred by bus operators when the safety barriers are in use. This will further aid in determining the effectiveness of the safety barriers (i.e., if bus operator injuries are lessened as a result of the barriers being used) and if design changes or modifications are necessary.   | 10/31/2019               |                          |
| 21   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 3        | Metro should ensure that assault trend analysis results are used to review current policing and fare enforcement strategies to determine if law enforcement, Supervisors, and fare enforcement personnel and strategies are being appropriately deployed toward the routes and times of day in most need of Police, Supervisory, or fare enforcement presence.   | 10/31/2019               |                          |
| 22   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 4a       | Metro should make the use of the barriers mandatory until Metro can determine if their use contributes to or causes accidents or increases accident frequency. Mandatory use of the barriers is the best way to evaluate their true effectiveness in reducing assaults on bus operators.   | 10/31/2019               |                          |
| 23   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 4b       | If the use of the barriers is made mandatory, Metro should collect data to substantiate and study the issues identified by operators as to why they do not use the barriers. Metro can then take corrective action, such as design changes and modifications to the barriers, if accident/incident data substantiate operator concerns.  | 10/31/2019               |                          |
| 24   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5a       | Metro should further study why bus operators feel the bus safety barriers do not provide the protection needed to make them feel more secure and the other measures bus operators would like to see implemented.   | 10/31/2019               |                          |
| 25   | Operations | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5b       | Evaluate the current design of the safety barriers to determine if bus operators' concerns can be addressed through design changes and modifications made to the safety barriers.  | 10/31/2019               |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                                     |   |          |  |                          |                          |
|--|-------------------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 26   | Operations                          | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5c       | Create a committee comprised of bus operators, Supervisors and Managers, Safety Department, and Bus Operations and Bus Maintenance personnel to investigate these issues and to determine appropriate mitigations. The focus of the committee should include an effort to increase barrier use, identify ways to make the barriers more effective, and evaluate training, and improve data collection and accuracy. Metro could also consider utilizing an existing committee to take on this action, if one has already been established for investigating possible safety issues with systems and equipment. | 10/31/2019               |                          |
| 27   | Operations                          | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 6a       | Metro should review safety barrier and de-escalation training to evaluate scope of attendees, frequency, content, method of delivery, consistency of delivery, and employee engagement and understanding. Results from these evaluations should be used to modify training programs as necessary.  | 10/31/2019               |                          |
| 28   | Operations                          | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 6b       | Consider adding both training classes as part of the new hire training course and periodic refresher training for current operators along with any other ongoing training requirements.  | 10/31/2019               |                          |
| 29   | Operations                          | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 7a       | Metro should continue to follow its current strategies and implement its current programs to prevent assaults on bus operators. These programs are consistent with industry best practices.  | 10/31/2019               |                          |
| 30   | Operations                          | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 7b       | Consider using some of the evaluation tools developed by TCRP to identify in more detail where its greatest risks reside and employ tactics such as targeted fare enforcement and policing patrols to address problem areas using existing resources.  | 10/31/2019               |                          |
| 31   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 1        | The Metro SSLE Department should continue to work with contract law enforcement agencies to improve the complete and accurate reporting of crime that occurs on the Metro System.  | Pending                  |                          |
| 32   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 2        | The Metro SSLE Department should continue to work to develop a more macro approach to oversight and monitoring of contracted law enforcement resources using the GPS function of the Mobile Phone Validators (MPV) assigned to contracted law enforcement personnel and the data generated from them.  | Pending                  |                          |
| 33   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 3        | The Metro SSLE Department should consider providing more detailed information on reported crime to distinguish between violent crime and property and petty crime.   | Pending                  |                          |
| 34   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 4        | The Metro SSLE Department should collect and report response time information for all three categories of calls for service.   | Pending                  |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                                     |   |          |  |                          |                          |
|--|-------------------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 35   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 5        | The Metro SSLE Department should use the GPS function and data generated to provide reliable and meaningful information on the amount of time contracted law enforcement officers spend on various parts of the Metro System.  | Pending                  |                          |
| 36   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 6        | The Metro SSLE Department should work with the contract law enforcement agencies to review, revise and adopt Key Performance Indicators (KPI) including baseline or target levels of performance for each KPI.   | Pending                  |                          |
| 37   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 7        | The Metro SSLE Department should continue to develop the Metro Community Policing plan and ensure it includes: Specific training in Problem Oriented Policing for law enforcement personnel to assist Metro in addressing matters related to crime and disorder Attendance at community meetings and other events designed to foster Metro's relationship with the community Protocols to obtain feedback from bus and rail managers that will be used in the overall policing strategy. | Pending                  |                          |
| 38   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 8a       | LAPD should continue monitoring the contract requirements to ensure all personnel meet the required certification and complete the transit policing training before working on any Metro assignments.  | Pending                  |                          |
| 39   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 8b       | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance.  | Pending                  |                          |
| 40   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 9a       | LAPD should submit the required payroll records with the monthly invoice.  | Pending                  |                          |
| 41   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 9b       | Metro should continue to monitor LAPD's billings to ensure all the required supporting documents are submitted with the invoices.  | Pending                  |                          |
| 42   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 10a      | LAPD should submit the list of maximum fully burdened hourly rates for each labor classification for overtime in accordance with the contract requirements. Also, the escalation rate included in the calculation of the maximum fully burdened hourly rates should not exceed the maximum escalation rate stipulated in the contract.   | Pending                  |                          |
| 43   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 10b      | Metro SSLE Department should work with LAPD to ensure that the list of maximum fully burdened hourly rates complied with the contract requirements. Metro should also review the billing rates for overtime for all invoices to determine the extent of overbillings for FY 2018.  | Pending                  |                          |



## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                                     |   |          |  |                          |                          |
|--|-------------------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 44   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 11a      | LAPD should submit the list of maximum fully burdened hourly rates for all labor classifications in accordance with the contract requirements. For any additional labor classifications not identified in the list of maximum fully burdened hourly rate, LAPD should submit a revised list to Metro for approval prior to incurring the cost. | Pending                  |                          |
| 45   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 11b      | Metro SSLE Department should continue to monitor LAPD's billings to ensure only the approved labor classifications are billed and included in the list of maximum fully burdened hourly rates. Metro should also review the billing rates for straight time for all invoices to determine the extent of overbillings.                          | Pending                  |                          |
| 46   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 12a      | LAPD should return the overbilled and overpaid amount of \$3,874.99 to Metro.  | Pending                  |                          |
| 47   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 12b      | Metro SSLE Department should continue monitoring LAPD's billings to identify and resolve billing discrepancies.  | Pending                  |                          |
| 48   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 13a      | LAPD should submit the prevailing Cost Allocation Plan (CAP) rate together with the list of maximum fully burdened hourly rates for overtime.  | Pending                  |                          |
| 49   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 13b      | Metro SSLE Department should continue to monitor LAPD's billings to ensure the overtime overhead rate billed was based on the CAP overhead rate approved by the Federal Government in effect at the time the work was performed.   | Pending                  |                          |
| 50   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 14a      | LAPD should submit to Metro in a timely manner the monthly Summary of Problem-Oriented Policing projects.  | Pending                  |                          |
| 51   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 14b      | Metro's SSLE Department should continue to monitor LAPD's submission of reports and stamp the date received on 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                  |                          |
| 52   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 15a      | LAPD should provide the equipment in the quantities listed in Exhibit E of the contract.   | Pending                  |                          |
| 53   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 15b      | Metro SSLE Department should continue to monitor LAPD's equipment to ensure the quantities listed in Exhibit E of the contract are properly provided and in a timely manner.   | Pending                  |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                                     |   |          |   |                          |                          |
|--|-------------------------------------|---|----------|---|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 54   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 16a      | LASD should continue monitoring the contract requirements to ensure all personnel complete the safety training and transit policing training before working on any Metro assignments.   | Pending                  |                          |
| 55   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 16b      | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance with the contract.   | Pending                  |                          |
| 56   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 17a      | LASD should issue an additional credit amount of \$1,699.68 to Metro.   | Pending                  |                          |
| 57   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 17b      | Metro SSLE Department should continue monitoring LASD's billings to ensure each job position meet the service levels promised on Form 575 and the billing rates are in compliance with the contract.  | Pending                  |                          |
| 58   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 18a      | LASD should submit to Metro in a timely manner the report for number of cases referred for follow-up investigation and the subsequent disposition.  | Pending                  |                          |
| 59   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 18b      | Metro SSLE Department should work with LASD to resolve any issues regarding the required reports. Also, Metro should continue monitoring LASD's submission of reports to ensure all the required reports were submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures. | Pending                  |                          |
| 60   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 19a      | LBPD should continue monitoring the contract requirements to ensure all personnel have completed the transit policing training before working on any Metro assignments.   | Pending                  |                          |
| 61   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 19b      | Metro SSLE Department should continue monitoring the contract requirements for qualifications and training of personnel to ensure compliance.   | Pending                  |                          |
| 62   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 20a      | LBPD should inform Metro the amount expected to exceed the estimated cost specified in the contract for each year before incurring the costs.   | Pending                  |                          |
| 63   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 20b      | Metro SSLE Department should continue monitoring LBPD's billings, payments and contract amount to ensure that costs do not exceed the contract amount.  | Pending                  |                          |
| 64   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 21a      | LBPD should submit the daily summary of assignments for all hours worked and payroll records with the invoices.   | Pending                  |                          |
| 65   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 21b      | Metro SSLE Department should continue monitoring LBPD's billings to ensure all the required supporting documents were submitted with the invoices.  | Pending                  |                          |

## Appendix E

| OIG Open Audit Recommendations as of September 30 2019 |                                     |   |          |  |                          |                          |
|--|-------------------------------------|---|----------|--|--------------------------|--------------------------|
| No.  | Area                                | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 66   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 22a      | LBPD should return to Metro the overbilled and overpaid amount of \$14,643.89.   | Pending                  |                          |
| 67   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 22b      | Metro SSLE Department should continue to monitor LBPD's billings to ensure only the approved labor classifications are billed and included in the list of maximum fully burdened hourly rates. Metro should also review the billing rates for all invoices to determine the extent of overbillings for FY2018. | Pending                  |                          |
| 68   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 23       | Metro SSLE Department should review the billing methodology specified in the contract for equipment cost and determine whether the contract should be revised.   | Pending                  |                          |
| 69   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 24       | Metro SSLE Department should continue monitoring LBPD'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                  |                          |
| 70   | System Security and Law Enforcement | 19-AUD-08 Bus Operator Safety Barrier Use and Effectiveness Study | 25       | The SSLE Department should continue and complete efforts to develop key performance indicators for Metro Security during FY 2019.  | Pending                  |                          |



## Board Report

**File #:** 2019-0757, **File Type:** Contract

**Agenda Number:** 20.

### FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 20, 2019

**SUBJECT: MUNICIPAL ADVISORS**

**ACTION: APPROVE BENCH CONTRACTS**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award six-year bench Contract Nos. PS64441000A through PS64441000J with the firms listed in Attachment A for municipal advisory services and execute task orders under these contracts for a total not-to-exceed amount of \$6,590,000 effective January 1, 2020 through December 31, 2025, subject to the resolution of protest(s) if any.

#### **ISSUE**

Metro has a recurring need for municipal advisory services to support our debt program. The existing bench contract expires December 31, 2019. The establishment of the bench facilitates the use of at least three (3) municipal advisors consistent with Metro's Debt Policy.

#### **BACKGROUND**

Metro requires the services of municipal advisors to assist with the issuance and management of our bonds, commercial paper and short-term borrowing programs, and lease financings, and to assist with the investment of debt service and reserve funds.

#### **DISCUSSION**

Metro has approximately \$5.4 billion in bonds outstanding. The municipal advisors will assist in evaluating the risks and opportunities associated with debt issuances and monitoring our debt portfolio to alert Metro to opportunities to refund and or restructure our bonds to achieve present value savings. The municipal advisors will assist in the preparation of presentations to rating agencies, lenders and investors. We expect the municipal advisors to provide analytical support as well as advice during negotiations for TIFIA loans, grants and other sources of funding. The municipal advisors additionally will assist with other tasks such as overseeing the selection and documentation processes to implement structured finance products. They will also assist with other tasks on an as-needed basis.

The bench of municipal advisors is divided into two categories: Lead or Project Basis. KNN Public Finance, Montague DeRose & Associates, Inc., and Public Resources Advisory Group (PRAG)

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received the highest evaluation scores and will each serve a two-year term as Lead on a retainer basis. The Lead Municipal Advisor helps staff plan and coordinate the debt program objectives for the term that they serve as the Lead. Firms not serving as the Lead will be issued competitive Task Orders on a per project basis as needed by Metro. Under the bench approach, Project Basis firms are not guaranteed any work. During the expiring contract's six-year term, 23 Task Orders were issued.

The breadth of the bench will allow Metro to use different firms over the term of the contract for specialized services or financings. The bench also provides an opportunity for smaller and regional firms to participate on projects. Six of the ten recommended firms, including two of the leads, are certified small businesses by the State of California, with two of the six certified by Metro.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will not impact the safety of our patrons or employees.

### **FINANCIAL IMPACT**

The FY20 adopted budget includes \$1,000,000 for these services in Cost Center 0521, Non-Departmental Treasury, under Project 610306, Project 610307 and Project 660301 and Project 670301, Financing Costs. Since this is a multi-year agreement, the Cost Center Manager, Treasurer and Chief Financial Officer will be accountable for budgeting the cost in future years.

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

Recommendation supports the following Metro Strategic Plan Goal(s):

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

### **ALTERNATIVES CONSIDERED**

- A. Conduct a separate procurement for each individual task as needed. This alternative is not recommended because it would require extensive additional staff time to process each request and result in delays due to the lead time required to complete the individual procurements. Because many of our transactions are dependent on market conditions and are very time sensitive, we may miss opportunities while going through the procurement process.
  
- B. Develop in-house staff resources to meet these requirements. This alternative is not recommended because external municipal advisors deal with the specific technical, specialized and quantitative matters of the financial market place on a daily basis. It is not practical to maintain this expertise in-house.

**NEXT STEPS**

Upon approval, staff will execute the bench contracts for municipal advisory services. Individual task orders will be issued on an as-needed, competitive basis.


**ATTACHMENTS**

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Prepared by: Susan Carias-Ginsberg, Administration & Financial Services Manager, (213) 922-4026  
Donna R. Mills, Treasurer, (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088  
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

## MUNICIPAL ADVISORY SERVICES / PS64441000A – PS64441000J

|    |   |  |
|----|---|--|
| 1. | <b>Contract Number: PS64441000A – PS64441000J</b>   |  |
| 2. | <b>Recommended Vendors:</b> Montague DeRose and Associates, Inc.; KNN Public Finance; Public Resources Advisory Group; Fieldman Rolapp and Associate; PFM Financial Advisors LLC; Backstrom, McCarley Berry & Co.; Sperry Capital, Inc.; Omnicap Group LLC; Hilltop Securities, Inc.; Columbia Capital Management LLC |  |
| 3. | <b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP–A&E<br><input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order   |  |
| 4. | <b>Procurement Dates:</b>   |  |
|    | <b>A. Issued:</b> July 30, 2019   |  |
|    | <b>B. Advertised/Publicized:</b> July 30, 2019  |  |
|    | <b>C. Pre-Proposal Conference:</b> N/A  |  |
|    | <b>D. Proposals Due:</b> August 29, 2019  |  |
|    | <b>E. Pre-Qualification Completed:</b> October 31, 2019   |  |
|    | <b>F. Conflict of Interest Form Submitted to Ethics:</b> September 23, 2019   |  |
|    | <b>G. Protest Period End Date:</b> November 25, 2019  |  |
| 5. | <b>Solicitations Picked up/Downloaded:</b><br>23  | <b>Bids/Proposals Received:</b><br>10      |
| 6. | <b>Contract Administrator:</b><br>Ernesto N. DeGuzman   | <b>Telephone Number:</b><br>(213) 922-7267 |
| 7. | <b>Project Manager:</b><br>Susan Carias-Ginsberg  | <b>Telephone Number:</b><br>(213) 922-6162 |

**A. Procurement Background**

This Board Action is to approve the award of bench Contract Nos. PS64441000A through PS64441000J for municipal advisory services for a six-year term effective January 1, 2020 for an aggregate amount not-to-exceed \$6,590,000. Board approval of contract awards are subject to resolution of properly submitted protest.

Request for Proposal (RFP) PS64441 was issued in accordance with Metro's Acquisition Policy and the contract type is firm fixed labor rate for task orders, firm fixed annual retainer for Lead Financial Advisors while serving in that capacity, and firm fixed price for bond issues.

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

- Amendment No. 1, issued on August 2, 2019 clarified the use of the Form 60 as the pricing form to be used for cost/price proposals.
- Amendment No. 2, issued on August 20, 2019 clarified the number of hard copy and electronic copies of the proposals to be submitted.

There were five questions submitted and responses were provided prior to the proposal due date.

Ten proposals were received on the due date of August 29, 2019 from the following firms listed in alphabetical order:

|    | Proposer Name                          |
|----|--|
| 1  | Backstrom, McCarley Berry & Co.        |
| 2  | Columbia Capital Management LLC        |
| 3  | Fieldman Rolapp and Associate          |
| 4  | Hilltop Securities, Inc.               |
| 5  | KNN Public Finance                     |
| 6  | Montague DeRose and Associates, Inc.   |
| 7  | Omnicap Group LLC                      |
| 8  | PFM Financial Advisors LLC             |
| 9  | Public Resources Advisory Group (PRAG) |
| 10 | Sperry Capital, Inc.                   |

## **B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Metro's Treasury Department and a representative from an outside peer agency was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were first evaluated on the following minimum Pass/Fail requirements. The solicitation specified that any proposal that did not meet these requirements will be ineligible for further evaluation:

- Proposer must be an independent municipal advisory firm that does not provide products or services including underwriting of municipal securities that have potential to create a conflict of interest with regards to a firm's fiduciary obligations under the contract. Proposers were asked to provide a signed affidavit confirming that they will not provide underwriting services to LACMTA if they are serving as LACMTA's Municipal Advisor in any capacity.
- Proposer (or staff directly assigned to LACMTA) has a minimum of five (5) years of current experience providing municipal advisory services.
- Proposer is currently registered as a Municipal Advisor Firm with SEC and MSRB
- Proposer shall be an IRMA as defined by the SEC.

All ten proposals met the minimum pass/fail requirements.

The proposals were then evaluated based on the following evaluation criteria:

- |  |     |
|--|-----|
| • Small Business Evaluation  | 10% |
| • Degree of the Prime's Skills and Experience                              | 25% |
| • Qualifications of Staff to be Assigned                                   | 20% |
| • Understanding of Work and Appropriateness of Approach for Implementation | 20% |
| • Cost Proposal  | 25% |

The evaluation criteria are appropriate and consistent with criteria developed for the procurement of similar services in the past. Several factors were considered when developing



these weights, giving the greatest importance to the Degree of the Prime's Skills and Experience, and the Cost Proposal.

On September 27, 2019, the PET concluded its independent evaluation of the ten proposals. All firms were determined to be responsive to the RFP and qualified to be on the bench.

#### **Qualifications Summary of Proposers:**

##### **Montague DeRose and Associates, Inc.**

Montague DeRose and Associates, Inc. is a California-based firm, founded in 1995 to serve as the financial advisor on TIFIA loans, bond issues, commercial paper, and other financial projects for the public sector. They have performed work for a number of public agencies including the former San Bernardino Associated Governments (now the San Bernardino County Transportation Authority), the State of California, and the United States Department of Transportation. They have extensive experience creating financing models for county master transportation plans and capital improvement plans. They have advised USDOT on TIFIA loans and would be able to bring this experience as Financial Advisor for our TIFIA financings. As a Lead Financial Advisor, they will provide service in all areas of financial management, including bond issues, derivatives and policy review and development.

##### **KNN Public Finance**

KNN Public Finance serves as a lead financial advisor to various transportation entities such as the San Francisco County Transportation Authority, Santa Clarita Valley Transportation Authority, and the Napa Valley Transportation Authority. They have provided financial advisory services to state and local governments since 1982 and is based in Oakland, California. KNN will provide transaction services, cash flow modeling, investor and rating relations programs, and debt and financial policy development, including assisting in determining the key factors that drive financial decisions and strategies.

##### **Public Resources Advisory Group**

Public Resources Advisory Group (PRAG) was founded in 1985 and maintains an office in Los Angeles while their main office is in New York. PRAG is wholly owned and managed by its employees. It provides services for the State of California, the Port of Long Beach, and the Denver Union Station Project Authority. PRAG's focus is on California public agencies with complex financing programs. PRAG will advise on projects that include complex analytics and modeling cash flows, variable rate obligations, and rating strategies.

##### **Fieldman Rolapp and Associate**

Fieldman Rolapp & Associate is a California-based independent financial advisory firm that began business in 1966. They have established models for measuring coverage on sales tax-based bond issues as well as cash flow modeling. The firm's concentration is 100% on public finance. This firm will be able to provide advice for bond issuance, strategic advice and cash flow modeling, and other projects. They have served as a financial advisor for the Port of Los Angeles, the City of Irvine, and the Solid Waste Resources Revenue Bond Project with the City of Los Angeles.

**PFM Financial Advisors LLC**

PFM Financial Advisors LLC (PFM) was founded in 1975 in Los Angeles and has previously advised LACMTA in bond proceeds investments, development of new trust agreements, commercial paper programs, fixed and variable rate bond issuance and refunding, and the development of debt and swap policies. PFM has a proven record of satisfactory service to the LACMTA.

**Backstrom, McCarley Berry & Co.**

Backstrom, McCarley Berry & Co. has a strong history in banking and consulting projects on numerous transportation issues throughout the country. They have been registered with the Municipal Securities Rulemaking Board (MSRB) and Securities and Exchange Commission (SEC) for over ten years and maintain offices in New York, Chicago, Houston, and San Francisco. The firm has consulted for the San Francisco Municipal Transportation Agency and the San Francisco International Airport as well as the Bay Area Rapid Transit District (BART). They have demonstrated analytical skills and experience to provide advice on Agency financial matters. Backstrom, McCarley Berry & Co. is a Metro-certified SBE.

**Sperry Capital, Inc.**

Sperry Capital, Inc. (SPI) was established in 1994 and provides financial advisory services to state and local governmental agencies. They have provided services to Orange County Transportation Authority and the Transbay Joint Powers Authority. They are registered as a municipal advisor and have served other agencies advising on sales tax revenue bonds, tax-exempt commercial paper and TIFIA loans. SPI provides financial advice on a project basis on such issues as post issuance compliance, commercial paper issuance, public-private partnerships, and investments, as well as other financial management tools. SPI is a Metro-certified SBE.

**Omnicap Group LLC**

Omnicap Group LLC (Omnicap) is a nationally recognized municipal advisor established in 2004 and the firm has been providing financial and investment advisory services on a national level since its inception. Omnicap is a registered municipal advisor with the MSRB and SEC and a SEC Registered Investment Advisor. Omnicap is certified as a small business enterprise by the City of LA, LA County, and the State of California. Omnicap is focused on providing financial advisory, swap advisory, investment advisory, and post-issuance tax compliance services to tax-exempt issuers on a national level.

**Hilltop Securities, Inc.**

Hilltop Securities, Inc. is a financial advisory firm that is a registered broker/dealer. It serves as financial advisor to the Regional Transportation District (Colorado), Metropolitan Atlanta Rapid Transit Authority, Port of Houston, Maryland Transportation Authority, the Oklahoma Department of Transportation, Rhode Island Department of Transportation, Oklahoma Turnpike Authority, Miami-Dade International Airport, New Jersey Turnpike Authority, Dallas Fort Worth Airport, North Texas Tollway Authority, Miami-Dade County Expressway Authority, Rhode Island Turnpike and Bridge Authority, and Tampa-Hillsborough County Expressway Authority.

### **Columbia Capital**

Columbia Capital Management LLC (Columbia) was formed in 1996 and provides municipal bond issuers with independent financial advice. It has helped many high-profile issuers throughout the nation on approximately \$61.1 billion of bonds, including fixed and variable rate, new money and refunding in areas including general obligation, revenue, annual appropriation, transportation, toll/turnpike, mass transit, parking, education, housing, pension, unemployment, and utilities. Columbia maintains staffed offices in Glendale, CA; Overland Park, Kansas; and Chicago, Illinois. Each of Columbia's offices have been established for at least one year, and 100% of the firm's employees are dedicated to public finance. Its current mass transit clients include Metro/Bi-State Development Agency (St. Louis), the Regional Transportation Authority of Northeastern Illinois, and the Chicago Transit Authority.

The three highest ranked proposers (Montague DeRose and Associates, Inc., KNN Public Finance, and PRAG) were selected to provide lead financial advisory services, alternating for a term limit of two years each. When not serving as lead financial advisors, they will be competing for task orders along with the rest of the bench.

### **C. Cost/Price Analysis**

All future Task Order RFPs will contain a specific statement of work which will be competed among the firms on the bench. The Bench contractors will propose according to the requirements in the task order and a cost/price analysis will be performed prior to task order award.

## DEOD SUMMARY

## MUNICIPAL ADVISORY SERVICES / PS64441000A – PS64441000J

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal for this solicitation due to the lack of subcontracting opportunities. According to Metro Project Management, the work performed by the municipal advisor is a highly specialized service that is not easily divisible into subcontractor tasks. However, staff was encouraged to outreach to certified firms to propose as Primes.

Two (2) of the Ten (10) firms selected as bench participants: Backstrom, McCarley, Berry & Co., and Sperry Capital, Inc. made 100% SBE commitments as SBE Prime contractors, performing the work with their own workforces.

|    | <b>SBE Prime</b>                | <b>% Committed</b> |
|----|---------------------------------|--------------------|
| 1. | Backstrom, McCarley Berry & Co. | 100%               |
|    | <b>Total SBE Commitment</b>     | <b>100%</b>        |

|    | <b>SBE Prime</b>            | <b>% Committed</b> |
|----|-----------------------------|--------------------|
| 1. | Sperry Capital, Inc.        | 100%               |
|    | <b>Total SBE Commitment</b> | <b>100%</b>        |

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) 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.