*MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD*

**Los Angeles County Metropolitan
Transportation Authority**

*First Quarter
FY 2017*

M Metro

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EXECUTIVE SUMMARY

Summary of Audit Activity

During the first quarter of FY 2017, 25 projects were completed. These include:

Internal Audits
- Performance Audit of Real Estate Property Management Follow-Up
- Performance Audit of Overtime Usage

Pre-Award Audits
- 12 Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Purple Line Extension Section 2 Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for the West Santa Ana Branch Transit Corridor Community Participation Program;
- Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for West Santa Ana Branch Transit Corridor-Environmental Study; and
- Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Master Agreement Countywide Planning Database Software Enhancements;

Incurred Cost Audits
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Central Ave. Improvements / Broadway to SR134EB Off-Ramp Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Interim Review of Caltrans' HOV Lanes I-405 from I-105 to SR-90 Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' Overland Avenue Bridge Widening Over I-10 Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Santa Clarita's Sierra Highway over the Railroad Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Traffic Signal Sync Brand/Colorado-San Fernando/Glendale-Verdugo Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Fiber Optic Communication Gap Closure of IEN Expansion Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Lancaster's – TOD Overlay Zone Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Long Beach's Ports of Long Beach and Los Angeles ATMIS Project.

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

EXECUTIVE SUMMARY

Sixty-four projects were in process as of September 30, 2016; these include 13 internal audits, 3 contract pre-award audits, and 48 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during first quarter FY 2017:
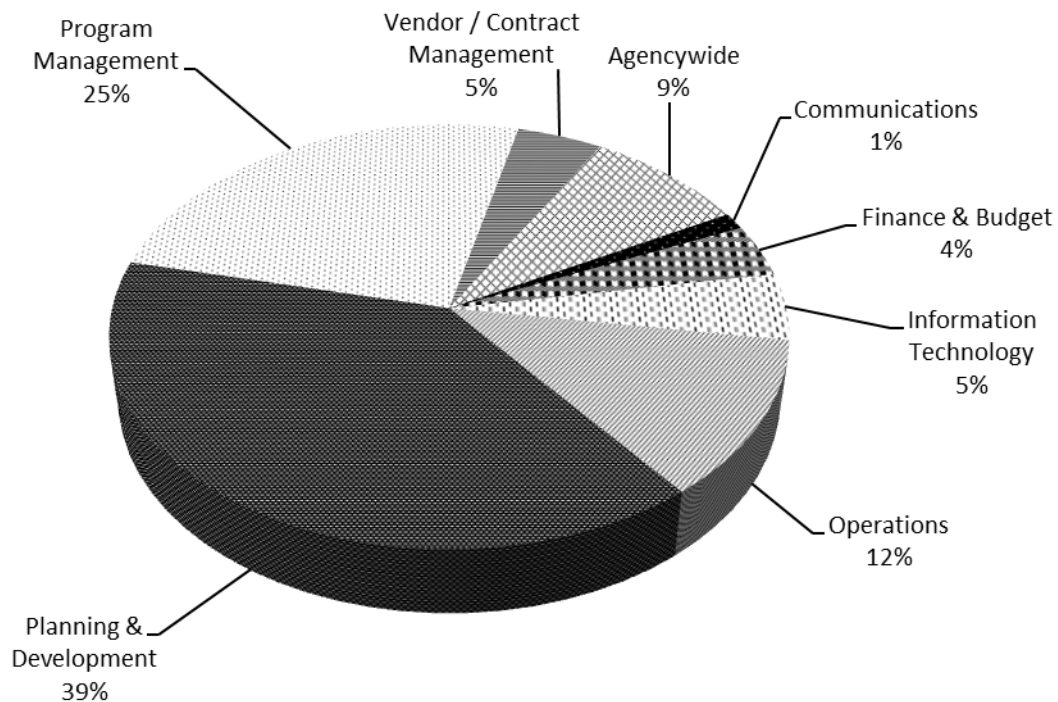
Audit follow-up:
- Twenty-seven recommendations were closed during the first quarter. At the end of the quarter there were 92 open audit recommendations.
- In addition, we closed 11 OIG recommendations. At the end of the quarter there were 23* open audit recommendations.

*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending. However, Program Management has hired a consultant to assist in addressing the most critical elements of the Best Practices Study.

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 2017, 15 audits were completed, reviewing a net value of $4 million. Auditors questioned $630 thousand or 15% of the proposed costs. The 15 audits supported procurements in the following areas:
  ➢ 12 Purple Line Extension, Section 2 Project procurements;
  ➢ 2 West Santa Ana Branch Transit Corridor Project procurements; and
  ➢ 1 Countywide Planning Database, Software Enhancements procurement.

Three contract pre-award audits were in process as of September 30, 2016.

Details on Contract Pre-Award Audits completed during first quarter FY 2017 are 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 eight audits during first quarter FY 2017. We reviewed $82.4 million of funds and identified $5.6 million or 7% of unused funds that may be reprogrammed. Forty-eight incurred cost audits were in process as of September 30, 2016.

Details on Incurred Cost Audits completed during first quarter FY 2017 are in Appendix B.

INTERNAL AUDITS

For the first quarter of FY 2017, two internal audits were completed. Thirteen internal audits were in process as of September 30, 2016. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the first quarter FY 2017. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

Performance Audit of Overtime Usage for Maintenance Specialists, Mechanics, and Transit Security Officers

The audit objective was to evaluate the adequacy and effectiveness of internal controls over overtime usage and payments.

We found that internal controls over the authorization and approval of overtime are adequate and effective. However, we found that the review of employee time data entries is inadequate, resulting in invalid overtime payments to employees. In addition, we found that overtime is being utilized for routine duties instead of for completing unanticipated workloads or short term special needs. This is due to a combination of inadequate staffing levels and leaves of absence, both scheduled and unscheduled. Management agreed with the recommendations and has already taken steps to correct the issues.

Performance Audit of Real Estate Property Management

The audit objective was to determine whether corrective actions were effectively implemented to address prior findings on MAS report 08-REA-F01. The Real Estate Property Management & Development Department is responsible for the acquisition and management of agency-wide real estate properties.

We found that findings from prior audits remain uncorrected. Both the Office of the Inspector General and MAS have issued reports in prior years noting deficiencies such as incomplete database of all real estate properties, under-performance of property inspections, and inconsistent adjustments of lease amounts for leased properties. Management agreed with the recommendations and has already taken some steps to correct the issues. Implementation of other corrective actions are currently in progress.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the first quarter, 27 recommendations were completed and closed. At the end of this quarter there were 92 outstanding audit recommendations. The table below summarizes the first quarter activity.

Summary of MAS and External Audit Recommendations
As of September 30, 2016

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management				8	8
Labor/Employee Relations	5			3	3
Finance and Budget				1	1
Information Technology			3		3
Metro Operations	15		14	9	23
Planning and Development	5		15	11	26
Communications	1			21	21
Systems Security & Law Enforcement	1			6	6
Congestion Reduction			1		1
Totals	27	0	33	59	92

In addition to the above MAS and external audit recommendations, we closed 11 recommendations for the Office of the Inspector General (OIG).   At the end of the quarter there were 23* outstanding OIG audit recommendations.

*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending. However, Program Management has hired a consultant to assist in addressing the most critical elements of the Best Practices Study.

Contract Pre-Award Audit FY 2017 - Audits Completed During Fiscal Year				
Area	**Audit Number & Type**	**Contractor**	**Requirement**	**Date Completed**
Planning & Development	16-COM-A01 - Attestation Agreed-upon Procedures	Arellano Associates, LLC	Contractual	8/2016
Program Management	17-CON-A01 - Attestation Agreed-upon Procedures	AECOM Technical Services, Inc.	Contractual	8/2016
Program Management	17-CON-A02 - Attestation Agreed-upon Procedures	Verma Associates, Inc.	Contractual	8/2016
Planning & Development	16-PLN-A35 - Attestation Agreed-upon Procedures	CTG, Inc.dba Novanis	Contractual	8/2016
Program Management	17-CON-A15 - Attestation Agreed-upon Procedures	TEC Management Consultants, Inc.	Contractual	8/2016
Program Management	17-CON-A09 - Attestation Agreed-upon Procedures	McMillen Jacobs Associates	Contractual	8/2016
Program Management	17-CON-A06 - Attestation Agreed-upon Procedures	D'Leon Consulting Engineers	Contractual	8/2016
Planning & Development	17-PLN-A01 - Attestation Agreed-upon Procedures	Terry A. Hayes Associates, Inc.	Contractual	8/2016
Program Management	17-CON-A14 - Attestation Agreed-upon Procedures	Simon Wong Engineering, Inc.	Contractual	8/2016
Program Management	17-CON-A12 - Attestation Agreed-upon Procedures	Ramos Consulting Services, Inc.	Contractual	9/2016
Program Management	17-CON-A13 - Attestation Agreed-upon Procedures	Safework, Inc.	Contractual	9/2016
Program Management	17-CON-A10 -Attestation Agreed-upon Procedures	Morgner Construction Management	Contractual	9/2016

Contract Pre-Award Audit FY 2017 - Audits Completed During Fiscal Year				
Area	**Audit Number & Type**	**Contractor**	**Requirement**	**Date Completed**
Program Management	17-CON-A08 - Attestation Agreed-upon Procedures	Lenax Construction Services, Inc.	Contractual	9/2016
Program Management	17-CON-A11 - Attestation Agreed-upon Procedures	New York Geomatics	Contractual	9/2016
Program Management	17-CON-A03 - Attestation Agreed-upon Procedures	Auriga Corporation	Contractual	9/2016

Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year				
Area	**Audit Number & Type**	**Grantee**	**Requirement**	**Date Completed**
Program Management	16-PLN-A27 - Closeout	City of Glendale	Contractual	8/2016
Planning & Development	12-PLN-A14 - Interim	County of Los Angeles	Contractual	8/2016
Planning & Development	15-PLN-A13 - Closeout	City of Los Angeles	Contractual	8/2016
Program Management	16-PLN-A07 - Closeout	City of Santa Clarita	Contractual	8/2016
Program Management	16-PLN-A20 - Closeout	City of Glendale	Contractual	9/2016
Planning & Development	16-PLN-A23 - Closeout	City of Lancaster	Contractual	9/2016
Program Management	16-PLN-A15 - Closeout	City of Glendale	Contractual	9/2016
Program Management	16-PLN-A10 - Closeout	City of Long Beach	Contractual	9/2016

	Internal Audit FY 2017 - In Process as of September 30, 2016		
Area	**Audit Number & Title**	**Description**	**Estimated Date of Completion**
Vendor / Contract Management	13-ADM-O02 - Automated Storage and Retrieval System Phase I & II	Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS).	10/2016
Congestion Reduction	16-CEO-P02 - 511 follow-up audit	Follow Up on 511 audit.	11/2016
Finance & Budget	10-ACC-F01 - Accounts Receivable	Validate Accounts Receivable is in compliance with departmental policies and procedures.	11/2016
Metro Operations	16-OPS-P01 - Wayside System	Evaluate effectiveness of maintenance of the Rail track & signaling systems.	11/2016
Information Technology	16-ITS-P02 - Audit of IT Asset Management	Evaluate the effectiveness of management over technology assets.	11/2016
Vendor / Contract Management	16-VCM- P01 - Audit of P-Card	Evaluate compliance to P-card purchase requirements.	11/2016
Program Management	16-CON-P04 - Quality Assurance	Effectiveness and efficiency of quality assurance processes.	12/2016
Program Management	16-CON-P01 - Indefinite Delivery / Indefinite Quantity (IDIQ) Type Contracts	Determine the efficiency and effectiveness of the administration of IDIQ Contracts.	12/2016
Program Management	12-CON-P03 - I-405 Follow-up	Verify if management's corrective actions from the prior audit were implemented and resulting in improvements.	12/2016

Internal Audit FY 2017 - In Process as of September 30, 2016			
Area	**Audit Number & Title**	**Description**	**Estimated Date of Completion**
Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	12/2016
Metro Operations	16-OPS-P03 - Accident Prevention Program	Evaluate effectiveness of accident prevention practices	12/2016
Metro Operations	16-OPS-P02 - Rail Overhaul and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	1/2017
Metro Operations	16-OPS-P05 - Division Practices	Evaluate effectiveness of Division management practices	2/2017

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
1	Operations	11-OPS-O06 - HASTUS	2	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
2	Operations	11-OPS-O06 - HASTUS	3	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all AP features. a. Develop the requirements to utilize AVL data to supplement missing data from the APC. b. Customize the current ATP module to improve its functionality until the proposed 2013 upgrade can be accomplished. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
3	Operations	11-OPS-O06 - HASTUS	4	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the higher minimum of either 1) the United Transportation Union Labor Agreement, or 2) an operational minimum layover time. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
4	Operations	11-OPS-O06 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
5	Operations	11-OPS-O06 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
6	Operations	11-OPS-O06 - HASTUS	7	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the maximum number of vehicle groups possible for any given trip. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
7	Operations	11-OPS-O06 - HASTUS	8	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Training Schedulers to use Minbus advanced features. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
8	Operations	11-OPS-O06 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2014	6/30/2017

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
9	Operations	11-OPS-O06 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2014	6/30/2017
10	Operations	11-OPS-O06 - HASTUS	13	We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates. **Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.**	6/30/2016	6/30/2017
11	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	4	Document existing procedures to improve internal control and oversight of grantees/sub-recipients	6/30/2015	12/31/2016
12	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	5	Activities at high risk for error and non-compliance should be identified and procedures documented for consistent implementation across all modes and project managers.	6/30/2015	12/31/2016
13	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	7	Proceed with development of grants management module in the FIS system.	12/31/2015	1/31/2017
14	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	8	Coordinate FIS module development with a more comprehensive grants management database system for tracking grants within the RGM Unit. Consider using a user-friendlier "Windows-based" environment for the grants management database.	12/31/2015	1/31/2017
15	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	9	Inventory and evaluate current "shadow systems" to help determine project manager requirements. This may provide useful information for the creation of a centralized database.	12/31/2015	1/31/2017
16	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	10	Develop protocols on who can update the data and how often.	12/31/2015	1/31/2017
17	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	11	Develop a high-level summary of grants for Metro executive staff and Board members based on their need for that information.	12/31/2015	1/31/2017
18	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	12	Consider revising its organizational structure to provide clearer definition of responsibilities, improved levels of supervision and review, and improved management control and oversight. One possible structure would be around the key functions or elements of grants management.	6/30/2015	12/31/2016
19	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	13	Develop teams around each of these key elements, with a supervisor responsible for managing and directing each team's activities.	6/30/2015	12/31/2016

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No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
20	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	19	Develop a process to ensure implementation of timely and appropriate corrective actions to address closeout activities such as final reporting, project closeouts and other events that affect the closeout process.	6/30/2015	12/31/2016
21	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	20	Designate an individual to serve as the grant closeout liaison.	6/30/2015	12/31/2016
22	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	21	Create a tool, such as an "Aging Report" to enable the liaison to quickly identify a critical event and to perform necessary updates to close the grant.	6/30/2015	1/31/2017
23	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	26	Inventory individual roles and responsibilities and develop procedures for transfer of knowledge and cross training of other team members.	6/30/2015	12/31/2016
24	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	27	Develop a process focused less on modal specialization and adopt a model whereby a greater number of team members are trained across a wider spectrum of activities and modes.	6/30/2015	12/31/2016
25	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	28	Establish formal training; verify that processes are consistent but sufficiently flexible to accommodate variations in managing grants and projects.	6/30/2015	12/31/2016
26	Congestion Reduction	12-HCP-P01 - Metro Freeway Service Patrol	3	Develop goals and objectives, and reinstitute performance measurements, for the oversight of the Metro Freeway Service Patrol Program. **Update: Delay in execution of FSP Communication / Data Collection system contract.**	5/30/2016	3/31/2017
27	Information Technology	14-ADM-P01 - Mobile Devices	2	We recommend that the Chief Information Officer implement appropriate Mobile Device Management software to manage all mobile devices and enforce security.	9/30/2015	10/31/2016
28	Information Technology	14-ADM-P01 - Mobile Devices	3	We recommend that the Chief Information Officer expand ITS wireless Device and Service policies and procedures to include written security requirements for mobile devices.	9/30/2015	10/31/2016
29	Information Technology	14-ADM-P01 - Mobile Devices	4	We recommend that the Chief Information Officer implement a device management platform that will provide adequate device level security controls.	9/30/2015	10/31/2016
30	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	9	We recommend the Executive Director, Employee and Labor Relations direct General Services to update GEN 17 to provide specific guidelines for the assignment and use of complementary key cards. **Update: Closed as of October 2016.**	6/30/2016	

				Open Audit Recommendations		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
31	Operations	13-OPS-P06 - Contracted Bus Service	1	We recommend the Executive Director, Transportation, to require Contracted Services to: develop a Contract Monitoring System that includes but is not limited to: a. A Contract Administration Plan that specifies the performance outputs of the statement of work and describes the methodology to conduct monitoring or surveillance. The extent and frequency of monitoring activities should be based on an assessment of risk related to each contractor and the impact if the work is not performed adequately. b. Written policies and procedures that serve as a guide to ensuring consistent, high quality contract monitoring process. c. A centralized location for receiving and maintaining contractors' submittals and reports by utilizing Metro's existing web based SharePoint system.	10/31/2016	
32	Operations	13-OPS-P06 - Contracted Bus Service	3	We recommend the Executive Director, Transportation, to require Contracted Services to include in Policy and Procedures: a statement that documentation of decisions, requiring executive approval and authorization, be maintained. All modifications of contractual terms must be in writing and executed by the Contract Administrator, as the CEO's designee, in compliance with the contract.	10/31/2016	
33	Operations	13-OPS-P06 - Contracted Bus Service	6	procedures for monitoring contractors performance, including, but not limited to, spot checks, periodic inspections, random sampling of routine functions, based on the risk identified in the Contract Administration Plan and the analyses of contractors monthly submittals. **Update: Documented procedures for monitoring contract performance will be addressed as part**	6/30/2016	2/28/2017
34	Operations	13-OPS-P06 - Contracted Bus Service	12	variances and anomalies in KPI data and results with contractor to determine their cause and ensure that any necessary corrective actions have been implemented. **Update: Documented procedures will be addressed as part of development of policies and procedures for Contracted Services Department however, Operations has implemented an**	3/31/2016	2/28/2017
35	Operations	13-OPS-P06 - Contracted Bus Service	13	We recommend the Executive Director of Transportation, require that Contracted Services identify KPIs as measurements for contractors' performance within future contracts. **Update: KPI measurements will be addressed in future contracts to be executed in late FY17.**	6/30/2016	2/28/2017
36	Operations	13-OPS-P06 - Contracted Bus Service	14	We recommend the Executive Director of Transportation, require that Contracted Services document follow-up of exceptions, cited in both CHP and QA inspection reports, and corrective actions taken. **Update: Documented procedures for monitoring contract performance will be addressed as part of development of policies and procedures for Contracted Services Department however, Operations has implemented an internal practice for field reps. to use a checklist to document any exceptions and subsequent corrective actions.**	5/31/2016	2/28/2017
37	Operations	13-OPS-P04 - Operations Key Performance Indicators	2	We recommend that the Chief Operations Officer works with ITS to determine whether the ATMS incident number can be carried over to the VAMS. **Update: Closed as of October 2016.**	9/30/2016	
38	Operations	13-OPS-P04 - Operations Key Performance Indicators	3a	automatically, similar to the capture of bus mileage data, Fleetwatch System, by implementing a wireless access point on all rail cars. In the interim, require Rail Operations to fully utilize the ITS developed Web Application to semi-automate the collection of all Rail mileage data. **Update: Closed as of October 2016.**	8/30/2016	
39	Operations	13-OPS-P04 - Operations Key Performance Indicators	6	We recommend that the Chief Operations Officer requires SPA to continue to work with ITS to develop a Business Intelligence software application that includes a customizable interface with the ability to pull data from multiple sources.	6/30/2017	

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
40	Program Management	13-CEO-P01 - Cost Estimating Process	1	We recommend that Estimating Management develop comprehensive policies and procedures that at a minimum should include: a) Clear definition of the role of the Cost Estimating department in the following areas: preparation of independent cost estimates including thresholds when the estimating department is responsible in preparing the cost estimates, review, validation and approval of cost estimates, involvement in budget planning phase b) Standard process and format including the requirement to use Work Breakdown Structure (WBS) to be used by consultants, contractors and internal staff.	3/31/2017	
41	Program Management	13-CEO-P01 - Cost Estimating Process	2	Communicate the policies and procedures to staff, consultants and users.	3/31/2017	
42	Program Management	13-CEO-P01 - Cost Estimating Process	3	Evaluate resources to meet the role and responsibilities of cost estimating department.	3/31/2017	
43	Program Management	13-CEO-P01 - Cost Estimating Process	4	Collaborate with procurement and program management in revising the naming convention on policies and procedures.	3/31/2017	
44	Program Management	13-CEO-P01 - Cost Estimating Process	5	We recommend that Estimating Management evaluate the training needs for estimating staff based on the changes of agency's risk, and ensure knowledge is transferred as staff retired.	3/31/2017	
45	Program Management	13-CEO-P01 - Cost Estimating Process	6	Based on the training need assessment, evaluate the required resources for training and develop a training program.	3/31/2017	
46	Program Management	13-CEO-P01 - Cost Estimating Process	7	Consider adding the training requirements in the policy and procedures.	3/31/2017	
47	Program Management	13-CEO-P01 - Cost Estimating Process	8	We recommend that Estimating Management provide estimating guidelines and formats when utilizing two independent estimates, so that they may be compared productively. Guidelines should be developed that cover estimating approach, methodology, Work Breakdown Structures (WBS) and cost account structure.	3/31/2017	
48	Communications	16-COM-P01 - Special Fares Programs	2	We recommend that the Customer Programs and Services Department reconcile the number of all issued temporary cards by customer representatives against number of records retained such as applications received for permanent card, temporary card requests, and card replacements on a daily basis.	9/30/2016	
49	Communications	16-COM-P01 - Special Fares Programs	3	We recommend that the Customer Programs and Services Department periodically monitor records of walk-in customers from short forms collected for any potential abuse (i.e. customer seems to be back every few weeks for temporary cards but never turn in application for permanent card).	9/30/2016	
50	Communications	16-COM-P01 - Special Fares Programs	4	We recommend that the Customer Programs and Services Department implement an independent review to reconcile the total processing fees collected and the application forms received on a daily basis by the customer representatives to help ensure all cash collected from the customers are accounted and recorded.	9/30/2016	
51	Communications	16-COM-P01 - Special Fares Programs	5	We recommend that the Customer Programs and Services Department establish a mandatory independent review of Reduced Fare application eligibility approvals processed by the Customer Service Agents.	9/30/2016	

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
52	Communications	16-COM-P01 - Special Fares Programs	6	We recommend that the Customer Programs and Services Department rotate the independent reviewer(s) periodically.	9/30/2016	
53	Communications	16-COM-P01 - Special Fares Programs	7	We recommend that the Customer Programs and Services Department improve the document retention process so the batched eligibility documents are easily accessible.	9/30/2016	
54	Communications	16-COM-P01 - Special Fares Programs	8	We recommend that the Customer Programs and Services Department collaborate with TAP operation to explore feasibility of system enhancement to allow the eligibility supporting documentation along with the application form to be stored electronically.	9/30/2016	
55	Communications	16-COM-P01 - Special Fares Programs	9	We recommend that the Customer Programs and Services Department retain the hardcopy eligibility supporting documentation in storage for minimum of one year until electronic system implementation is completed.	9/30/2016	
56	Labor / Employee Relations	16-COM-P01 - Special Fares Programs	11	We recommend that the HR Department maintain an inventory log to record the receipts and distribution of the Metro employee cards, and perform physical count periodically to ensure the log reconciles with the inventories on hand.	7/31/2016	
57	Finance & Budget	16-COM-P01 - Special Fares Programs	12	We recommend that the TAP Operations retain inventory request forms and receipts issued by HR to establish the accountability for the cards physically transferred to HR.	7/31/2016	
58	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department update the B-TAP Program Policy and/or Agreement terms so that the language on these two documents are consistent with the intended pricing level for B-TAP customers.	3/31/2017	
59	Communications	16-COM-P01 - Special Fares Programs	15	We recommend the Communications Department to maintain an accurate count of authorized/issued B-TAP cards, and reconcile the count against the list of active B-TAP cards periodically to help ensure all active B-TAP cards have been paid and authorized for issue.	9/30/2016	
60	Communications	16-COM-P01 - Special Fares Programs	16	We recommend the Communications Department to implement a formal detailed review where the price is recalculated and employment status is verified for accuracy on a sample basis. This review should be performed periodically by individual(s) independent of the sales team to assess the reasonableness, eligibility and accuracy of the customer data and program pricing.	3/31/2017	
61	Communications	16-COM-P01 - Special Fares Programs	17	We recommend the Communication Department to define roles and responsibilities, and implement adequate control to ensure that I-TAP Program meets its purpose and requirements.	9/30/2016	
62	Communications	16-COM-P01 - Special Fares Programs	18	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making in the continuation of the pilot programs.	9/30/2016	
63	Communications	16-COM-P01 - Special Fares Programs	19	We recommend the Communications Department to define the program ownership, and clarify the roles and responsibilities to ensure the program performance is monitored and evaluated.	3/31/2017	

				Open Audit Recommendations		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
64	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making.	3/31/2017	
65	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.	3/31/2017	
66	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.	3/31/2017	
67	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.	3/31/2017	
68	Communications	16-COM-P01 - Special Fares Programs	24	We recommend the Communications Department to implement periodic review (at least annually) of YOTM cardholders to ensure their eligibility.	3/31/2017	
69	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management.	3/31/2017	
70	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue.	3/31/2017	
71	Planning & Development	14-EDD-P01 - Real Estate Property	6	We recommend that Real Estate Management review lease agreements and make appropriate CPI and/or FMV adjustments. Document the decisions made on file when FMV and/or CPI adjustments are deemed unnecessary.	6/30/2017	
72	Planning & Development	14-EDD-P01 - Real Estate Property	7	We recommend that Real Estate Management ensure property management system is updated to reflect the appropriate lease amount.	6/30/2017	
73	Planning & Development	14-EDD-P01 - Real Estate Property	8	We recommend that Real Estate Management improve the invoice review process when manual invoices are generated outside the system for accuracy and completeness.	6/30/2017	
74	Planning & Development	14-EDD-P01 - Real Estate Property	9	We recommend that Real Estate Management set dollar threshold levels of approval for credit memos.	6/30/2017	
75	Planning & Development	14-EDD-P01 - Real Estate Property	10	We recommend that Real Estate Management require that all credit memos include a justification and proper documentation.	6/30/2017	

				Open Audit Recommendations		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
76	Planning & Development	14-EDD-P01 - Real Estate Property	11	We recommend that Real Estate Management complete the required inspections and document inspection records on file.	6/30/2017	
77	Planning & Development	14-EDD-P01 - Real Estate Property	12	We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts.	6/30/2017	
78	Planning & Development	14-EDD-P01 - Real Estate Property	13	We recommend that Real Estate Management develops policies and procedures for collecting and writing off past due accounts including when consultation with County Counsel is required. Policy should include timeframes to ensure timely actions are taken.	6/30/2017	
79	Planning & Development	14-EDD-P01 - Real Estate Property	14	We recommend that Real Estate Management will establish a process for investigating customer's payment that has no invoice reference so proper application of payments received can be made or invoice can be prepared.	6/30/2017	
80	Planning & Development	14-EDD-P01 - Real Estate Property	15	We recommend that the Real Estate management collaborate with IT department to define all functionalities required for a comprehensive IT system that will allow Real Estate to efficiently function and perform its responsibilities. Discussion should include difficulties or limitations encountered with the current system for considerations if a decisions to acquire a new system is reached.	12/31/2016	
81	Planning & Development	14-EDD-P01 - Real Estate Property	16	We recommend that the Real Estate management will implement a system that will enable Real Estate to efficiently and effectively perform its responsibilities.	12/31/2016	
82	Operations	16-AGW-P03 - Overtime Usage	2	We recommend that Bus and Rail Operation Management re-train timekeepers and approvers from all divisions for more through review of timesheets and overtime exception reports.	10/31/2016	
83	Operations	16-AGW-P03 - Overtime Usage	3	We recommend that Bus and Rail Operation Management resolve the issues found in the overtime exception reports prior to finalizing the payroll code data entry and approval process for employee time.	10/31/2016	
84	Operations	16-AGW-P03 - Overtime Usage	4	We recommend that Bus and Rail Operation Management collaborate with ITS and Payroll departments on either developing additional preventive/detective system controls or improving the current system controls in M3 and Payroll to assist timekeepers and approvers to prevent incorrect/invalid overtime payments to employees.	10/31/2016	
85	Operations	16-AGW-P03 - Overtime Usage	5	We recommend that Bus and Rail Operation Management perform periodic review by independent third person who is not involved in routine timesheet data entry and approval process to assess the effectiveness of improvement in the process/ controls in preventing the re-occurrence of invalid overtime payments.	12/31/2016	
86	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	6	We recommend that Transit Security Management collaborate with ITS and Payroll departments on establishing the preventive/detective controls to assist timekeepers and approvers to prevent invalid overtime payments to employees.	10/31/2016	
87	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	7	We recommend that Transit Security Management perform periodic review by independent third person who is not involved in routine timesheet data entry and approval process to assess the effectiveness of improvements made in the process/system controls in preventing the re-occurrence of invalid overtime payments.	10/31/2016	

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				Open Audit Recommendations		
88	Labor / Employee Relations	16-AGW-P03 - Overtime Usage	8	We recommend that Labor Relations Management engage in a dialogue with the Union Representatives for both ATU and Teamsters to discuss the best course of action regarding the amount of inappropriate overtime premium paid to certain employees as a result of payroll coding errors.	10/31/2016	
89	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	9	We recommend that Transit Security Management collaborate with ITS Department to explore the options whether the approval and document retention for justifications in exceeding the 32 hours overtime limitation can be automated.	2/28/2017	
90	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	14	We recommend that Transit Security Department complete resource plan to determine the optimal number of regular employees to perform work requirements.	7/30/2017	
91	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	15	We recommend that Transit Security Department conduct a cost benefit analysis to compare the cost of hiring additional staff versus paying overtime to existing staff or a combination of both to determine the most cost efficient option to meet the work requirements.	7/30/2017	
92	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	16	We recommend that Transit Security Department periodically adjust the plan to reflect changes in work requirements.	7/30/2017	

Appendix E

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations		
1	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	1	Consider ways to proactively set up a system to identify all employees who require mandatory training, and notify the employees to sign up for the required classes.	3/31/2017	
2	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	2	Update the SharePoint database by: a. Reviewing the mandatory training classes listed in the SharePoint database to ensure that all mandatory training classes are annotated as "mandatory" in the database, and b. Periodic reviewing the database to ensure that the information listed is current and all mandatory training classes are annotated.	3/31/2017	
3	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	3	Update the Metro Policy on Training, HR 8-2, in accordance with General Management Policy GEN 5.	8/31/2016	10/31/2016
4	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	4	Encourage managers and supervisors to review required training with their employees when reviewing the employee's performance and when preparing employee objective for the coming year.	1/31/2016	10/31/2016
5	ITS	15-AUD-01 - Audit of Telephone Usage and Billings	10	Conduct a complete physical inventory of all data and voice circuits to verify the information in VeraSmart is correct.	11/30/2015	11/30/2016
6	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	1	The Metro System Safety and Law Enforcement Division should assist the Transit Policing Working Group established by the Metro Board, to use the information on risks, workload, staffing estimates and options outlined in this report to move forward with implementing staffing and deployment consistent with the goals, key priorities, and key strategies established.	9/30/2016	
7	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	2	The Metro System Safety and Law Enforcement Division should continue to monitor and track the various safety and security risks facing the Metro System, deploy personnel consistent with the information provided in this report, and make revisions in plans and operations as needed including deployment of personnel to mitigate these risks on an ongoing basis.	10/31/2016	
8	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	5	The Metro System Safety and Law Enforcement Division should consider the types of duties described in this report that might be performed by the Metro Security personnel to better define their roles, and work to resolve ongoing questions regarding the authority of Metro Security personnel within their confines, and the entity or agency responsible for granting and overseeing that authority.	12/31/2016	
9	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	6	The Metro System Safety and Law Enforcement Division should continue to work with local law enforcement agencies to identify the potential for no cost basic services. Also consider if paid dedicated service from these agencies is beneficial and manageable, and leverage these services as appropriate. Efforts should also be made to increase regular communication and education to promote collaboration and coordination.	12/31/2016	
10	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	7	The Metro System Safety and Law Enforcement Division should work with Metro Operations to identify the potential use of other Metro employees on the System, define their roles, create a plan of coordination and communication for seamless service, and evaluate the impact of these employees on System safety and security.	N/A	
11	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	8	The Metro System Safety and Law Enforcement Division should consider developing or acquiring and implementing a resource oversight and monitoring application for use on the smartphones currently used by Metro safety and security personnel. Metro should also consider identifying specific reporting requirements as input into the development of the new Computer Aided Dispatch (CAD) system by the LASD.	1/31/2017	
12	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	11	The Metro System Safety and Law Enforcement Division should use the information obtained through the Request for Proposal for law enforcement and security services, and identify the level of and approach to investigative and special operations services as part of the Rail and Bus Safety and Security Plans.	9/30/2016	

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations		
13	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	12	The Metro System Safety and Law Enforcement Division should use the information and options outlined in this report to develop a Request for Proposal for law enforcement and security services, and to develop a Critical Infrastructure Protection Plan.	10/31/2016	
14	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	13	The Metro System Safety and Law Enforcement Division should use the information and options outlined in this report to develop a Metro and Operations Security Plan.	10/31/2016	
15	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	14	The Metro System Safety and Law Enforcement Division should use the information obtained through the Transit Policing Division and Metro Security employee surveys to identify and address key issues.	9/30/2016	
16	Vendor / Contract Management	16-AUD-02 - Audit of Procurement Process for the Crenshaw/LAX Transit Corridor Contract	1	The Procurement Department should develop written procedures and process to validate (a) required professional licenses and certifications for "Key Personnel" specified in RFQ and RFP, and (b) document this validation in the contract files. This process should also include periodic validations whenever "Key Personnel" are replaced during the life of the project.	1/31/2017	
17	Vendor / Contract Management	16-AUD-02 - Audit of Procurement Process for the Crenshaw/LAX Transit Corridor Contract	4	The Procurement Department should develop a process that ensures that contractor's work experience and performance has been vetted and documented in the contract files.	9/30/2016	
18	Finance & Budget	16-AUD-04 - Audit of Statutorily Mandated Audit of Miscellaneous Expenses Training and Seminars Accounts	2	The Office of Management and Budget will implement any appropriate revisions to Account 50213 in the Fiscal Year 2017 budget process.	4/31/2017	
19	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	1	We recommend that Metro Travel Coordinator Advise Board deputies who travel for Metro business to obtain authorization from the Board Director to whom the deputy reports in accordance with Board of Directors Rules and Procedures. An email attached to the TA would be sufficient if it identifies acknowledgement of the full amount of the estimated travel expenses.	10/31/2016	
20	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	2	We recommend that Metro Travel Coordinator ensure all TA Forms are signed by the department heads before employees travel and attached to TBE reports.	10/31/2016	
21	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	3	We recommend that Metro Travel Coordinator ensure Board deputies' travels are limited to two round-trips fiscal year per board office in accordance with Board of Directors Rules and Procedures. Provide Board members and deputies a copy of Metro' Board of Director Rules and Procedures relate to travels.	10/31/2016	
22	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	4	We recommend that Metro Travel Coordinator require persons requesting travel to submit a detailed justification memo and conference schedule (when applicable) along with Travel Authorization Form in accordance with Metro FIN-14 policy.	10/31/2016	
23	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	5	We recommend that Metro Travel Coordinator note on the TA Form any exceptions to Metro travel policy and require travelers to obtain approval from Executive Officer when an exception is requested.	10/31/2016	