

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

**Los Angeles County Metropolitan
Transportation Authority**

***YEAR-END REPORT
FY 2017***



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EXECUTIVE SUMMARY

FY17 Summary of Audit Activity

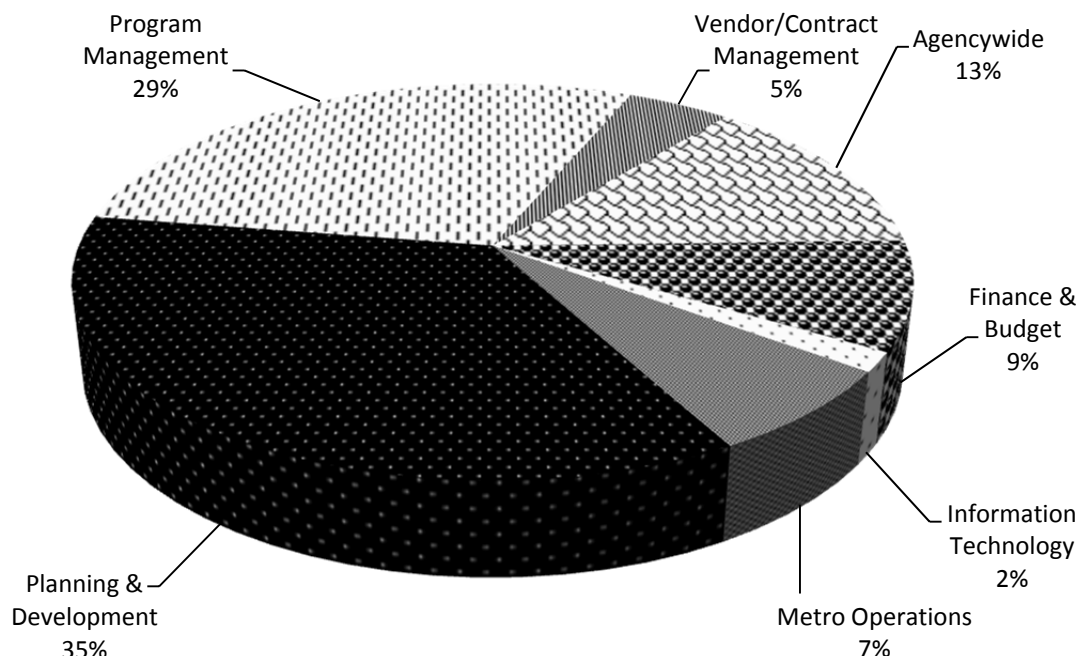
During FY 2017, we completed/managed 231 engagements consisting of 86 audits issued by MAS and 145 external CPA firms' reports. Details as follows:

- 25 audit reports issued in the first quarter;
- 18 audit reports issued in the second quarter;
- 14 audit reports issued in the third quarter;
- 29 audit reports issued in the fourth quarter;
- 145 financial and compliance audits issued during the fiscal year (mostly legally mandated such as Prop A & C, Measure R, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

The work completed in the first, second, and third quarters of FY 2017 are summarized in the quarterly reports issued in November 2016, February 2017, and May 2017. The completed audits for fourth quarter include one internal audit report, five contract pre-award audits and 23 incurred cost audits. The completed contract pre-award and incurred cost audits are summarized on page 2 and completed internal audits begin on page 3. Seventy audits were in process at the end of FY 2017.

A list of all contract pre-award and incurred cost audit projects completed in FY 2017 are included in Appendix A and B, respectively. All internal audits completed during FY 2017 are included in Appendix C. All internal audits in process as of June 30, 2017 are included in Appendix D.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2017:



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 FY 2017, we completed 24 audits, reviewing a net value of \$22 million. Auditors questioned \$3.6 million or 17% of the proposed costs. The 24 audits supported procurements in the following areas:

- 14 Purple Line Extension, Section 2 Project procurements;
- 3 West Santa Ana Branch Transit Corridor Project procurements;
- 2 Rolling Stock Project procurements;
- 2 I-605 Improvement Projects Procurements;
- 1 U.S. Employment Plan Compliance;
- 1 Countywide Planning Database, Software Enhancements procurement; and
- 1 Highway Program Project Delivery Support Services procurement.

Details on Contract Pre-Award Audits completed during 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 grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 57 audits during FY 2017. We reviewed \$410.7 million of funds and identified \$16.5 million or 4% of unused funds that may be reprogrammed. Fifty-five incurred cost audits were in process as of June 30, 2017.

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

INTERNAL AUDITS

Management Audit completed five internal audit reports in FY 2017. Fifteen internal audits were in process as of June 30, 2017. A list of the internal audits in process is included in Appendix D. A detail of the internal audit completed during the fourth quarter is listed below.

Performance Audit of Information Technology Asset Management

The audit objective was to evaluate the adequacy of internal controls over IT Asset Management.

We found that there are adequate internal controls over asset acquisition. However, we found internal control weaknesses in three key areas: (1) IT asset inventory record management, (2) physical access management to the Data Center, and (3) data removal process for retired computers. Specifically, the IT asset inventory records were not complete or accurate; 18 employees were granted unnecessary physical access to the Data Center; and ITS department did not always confirm the completeness of data removal from retired computers. Management has already taken steps to correct some of the findings.

Cancelled Audits

Performance Audit of IDIQ

The audit objective was to evaluate efficiency and effectiveness of the administration of Indefinite delivery, Indefinite Quantity (IDIQ) type contracts including appropriateness of consultant hours and tasks. IDIQ will be incorporated into the Performance Audit of Use of Consultants – Phase 2.

Performance Audit of Third Party Utility Relocation

The audit objective was to validate the efficiency and effectiveness of Third Party Utility Agreements performance and compliance to applicable laws and regulations. In 2014, this audit was placed on hold due to litigation related to the I-405 Sepulveda Pass Improvement Project. In December 2016, the litigation was settled. Audit was cancelled due to significant changes in processes related to Third Party Utility Agreements since the audit initiation dates.

Performance Audit of Rail Overhaul and Refurbishment Program

The audit objective was to determine the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program. During preliminary survey, we identified that the Rail Overhaul and Refurbishment Program consists of Rail Procurement, Rail Station Improvements, Rail Division Improvements, Rail Maintenance of Way, SCADA Systems as well as other rail support systems. There are audits included in our FY 18 Audit Plan, namely: Performance Audit of State of Good Repair Plan and Performance Audit of SCADA System which, we believe will cover certain components of the Rail Overhaul and Refurbishment Program.

CANCELLED AUDITS

Performance Audit of Division Management Practices

The audit objective was to evaluate efficiency and effectiveness of division practices and processes with a focus on quality assurance. During our preliminary Assessment we found indicators that Quality Assurance was adequately and effectively performing safety inspections of operators and equipment in preparation for the CPUC inspections. Due to low risk in this area, the audit was cancelled.

OTHER AUDITS

Other audits completed during FY17 by external CPA firms include:

Proposition A and C Special Revenue Funds Audit – Issued November 2016

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the Los Angeles County Metropolitan Transportation Authority (Metro) with the provisions of Propositions A and C. BCA Watson Rice LLP (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2016 and found that the schedules of revenues and expenditures present fairly, in all material respects. As required by Ordinance, BCA presented their audit report to the Independent Citizen's Advisory Oversight Committee on February 14, 2017.

Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued November 2016

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station. We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2016. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Measure R Special Revenue Fund Audit – Issued November 2016

The voter approved Measure R Ordinance mandates that an annual audit be conducted 6 months after the end of the fiscal year being audited to ensure that the Metro complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2016 and found that the schedules of revenues and expenditures present fairly, in all material respects. As required by Ordinance, BCA presented their audit report to the Measure R Oversight Committee on March 6, 2017.

Audited Financial Statements of Regional Transit Access Pass (TAP) Settlement and Clearing Accounts – Issued December 2016

Los Angeles TAP was created by the Metro through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing Metro's staff resources. We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2016. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center TAP Settlement and Clearing Accounts as of June 30, 2016.

OTHER AUDITS

PTSC-MTA Risk Management Authority Basic Financial Statements – Issued December 2016

In October 1998, the Public Transportation Services Corporation (PTSC) and Metro entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from Metro and PTSC. As PTSC also receives its funding from Metro, PRMA is a component unit of the Metro and is included in Metro's financial statements as a blended component unit. We contracted BCA to conduct the audit for the fiscal year ended June 30, 2016. The auditor found that the financial statements present fairly, in all material respects, the financial position of PRMA as of June 30, 2016.

Basic Financial Statements – All parts Issued by December 2016

An audit of our financial statements by an independent CPA firm is required annually. We contracted Crowe Horwath LLP to conduct the audit for the fiscal year FY16. The following reports include Metro's basic financial statements and following component audits for the year ended June 30, 2016:

- Basic Financial Statement Report;
- Metro Single Audit Report for the fiscal year ended June 30, 2016 which includes:
 - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and
 - Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards as Required by Uniform Guidance;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2016;
- Transportation Development Act Operations Agency for the year ended June 30, 2016;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- State Transit Assistance Special Revenue Fund's basic financial statements for the years ending June 30, 2016 and 2015;
- Crenshaw Project Corporation basic financial statements and other supplementary information as of June 30, 2016;
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2016 and 2015; and
- Report on compliance with Low Carbon Transit Operations Program Guidelines for the year ended June 30, 2016.

OTHER AUDITS

The auditor issued unmodified opinions on all audit reports. There were no findings identified in the audit reports.

Audited Financial Statements of Metro ExpressLanes – Issued January 2017

Metro ExpressLanes started as a one-year demonstration program that tested innovations to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. The first Metro ExpressLanes commenced revenue operations in November 2012 on the I-110 Harbor Freeway, between Adams Blvd. and the 91 freeway. The second began revenue operations in February 2013 on the I-10 El Monte Freeway between Alameda St. and the 605 Freeway. In April 2014, the Board voted unanimously to make the ExpressLanes on the I-110 and I-10 Freeways permanent. Later that year the California State Legislature approved a motion making the toll lanes permanent in Los Angeles and that the Governor sign it to become official.

An audit of the financial statements of Metro ExpressLanes, an enterprise fund of Metro, was performed by Vasquez for the year ended June 30, 2016. The auditor found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund.

Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. The Consolidated Audit process includes financial and compliance audits for the fiscal year ended June 30, 2016 for the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Transit Development Act (TDA) Article 3 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Transit System Funds to Commerce, Redondo Beach, Torrance
 - Transit Development Act (TDA) Article 4
 - State Transit Assistance (STA)
 - Proposition A 95% of 40% Discretionary
 - Proposition C 5% Security
 - Proposition C 40% Discretionary
 - Proposition 1B Funds
 - Measure R 20% Bus Operations and Clean Fuel Bus Funds
- Proposition A 40% Discretionary – Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena Transit System Operators
- Fare Subsidies Programs

OTHER AUDITS

- Immediate Needs Transportation Program (INTP)
- Rider Relief Transportation Program (RRTP)
- Support for Homeless Re-Entry (SHORE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive Programs)

Local Return (Prop A, Prop C and Measure R)

The auditors found that the Cities and County, with the exception of the City of Compton, complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2016. The Measure R Local Return audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) on March 6, 2017. A Public Hearing for MRITOC was also conducted to receive public input on April 26, 2017.

The auditors found that the cities and Los Angeles County, with the exception of the City of Compton generally complied with the requirements applicable to the Proposition A and C and Measure R Local Return Guidelines. However, they did find 62 and 29 instances of non-compliance for Proposition A and C and Measure R, respectively. Questioned costs totaling \$1.7 million, \$5.2 million, and \$1.5 million for Proposition A, Proposition C and Measure R, respectively represent approximately 1%, 3% and 1% of the each total fund reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; two findings for Metrolink program, four findings for the TDA Article 3 program, one finding for the TDA Article 8 program and seven for the EZ Transit Pass Program, all of which were resolved during the audit. Three compliance findings were also identified for the INTP (1) and RRTP (2) programs which had no impact on the funds Metro distributes for these programs.

State Transportation Improvement Program (STIP) and Planning Programming and Monitoring (PPM) - Issued May 2017

In June 2013, Metro entered into a Fund Transfer Agreement (Agreement) with CalTrans to provide planning, programming and monitoring of projects for the development and preparation of the Regional Transportation Improvement Program.

OTHER AUDITS

Metro is required to comply with the Agreement and to ensure that STIP/PPM funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

BCA completed a financial and compliance audit of STIP for the period June 11, 2013 through June 30, 2015. The auditor found that the financial schedule presents fairly, in all material respects and that Metro complied, in all material respects, with the compliance requirements applicable to the STIP PPM Program, and project funds were used in accordance with the Agreement and Article XIX of the California State Constitution.

Metro ExpressLanes Program – Performance Audit of the Collection, Recording, and Reporting of Revenues, Violations and Fines - Issued May 2017

Metro contracted with Atkinson Contractor, LP (Atkinson) to design, build, operate and maintain the ExpressLanes. Atkinson subcontracted with AECOM for the design and subcontracted with ACS State & Local Solutions, Inc., a Conduent Company (Conduent) for tolling integration and operations. We contracted BCA to conduct a performance audit of Conduent's collection, recording, and reporting of receivables and revenues related to the ExpressLanes. The scope of the audit covered revenue transactions for the period from July 1, 2014 through June 30, 2016. The auditor found that:

- Conduent's written policies and procedures related to the collection, recording, and reporting of ExpressLanes revenue were maintained in several different documents, and noted that some written policies and procedures were contradictory from one document to another.
- Conduent was unable to provide supporting documents for 7 revenue transactions selected in June 2015 and 3 revenue transactions selected in June 2016. In addition, supporting documents were not provided for 4 accounts receivable transactions selected in June 2015. However, for those revenue transactions where supporting documents were provided and tested, the auditor found that Conduent adhered to its policies and procedures in the collection, recording, and reporting of the revenues.
- Based on a reconciliation of toll, violation, and fine revenues reported to Metro against revenue recorded in Conduent's accounting system for the month ended June 30, 2016, the auditor found \$620,680 in Department of Motor Vehicle accruals that were recorded twice in Conduent's accounting system and not detected.
- Based on observations and interactions with Conduent ExpressLanes Accounting staff, the auditor noted that they were not familiar with the reporting capabilities of the Vector system, and did not have an understanding of certain accounting transactions when queried.
- No Vector information system control weaknesses, individually or in the aggregate, were identified that would constitute a significant deficiency or material weakness.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During FY 2017, 33 recommendations were added and 33 recommendations were completed. At the end of the quarter, there were 58 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

Summary of MAS and External Audit Recommendations As of June 30, 2017

| Executive Area | Closed | Late | Extended | Not Yet Due/Under Review | Total Open |
|----------------------------|-----------|------|-----------|--------------------------|------------|
| Program Management | 5 | | 1 | | 1 |
| Labor/Employee Relations | 1 | | | | |
| Risk Management | 10 | | | 10 | 10 |
| Vendor/Contract Management | | | | 1 | 1 |
| Information Technology | 2 | | | 4 | 4 |
| Metro Operations | 7 | | 9 | 21 | 30 |
| Planning and Development | 5 | | 5 | | 5 |
| Communications | 2 | | 7 | | 7 |
| Congestion Reduction | 1 | | | | |
| Totals | 33 | | 22 | 36 | 58 |

In addition to the above MAS and external audit recommendations, we closed seven recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 131 outstanding OIG audit recommendations.*

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52 and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

Appendix A

| Contract Pre-Award Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|---|------------------------------------|-----------------------|--------------------|-----------------------|
| No. | Area | Audit Number & Type | Contractor | Frequency | Requirement | Date Completed |
| 1 | Communications | 16-COM-A01 - Attestation Agreed-upon Procedures | Arellano Associates, LLC | Once for MCO72 | VCM Policy | 8/2016 |
| 2 | Program Management | 17-CON-A01 - Attestation Agreed-upon Procedures | AECOM Technical Services, Inc. | Once for MCO72 | VCM Policy | 8/2016 |
| 3 | Program Management | 17-CON-A02 - Attestation Agreed-upon Procedures | Anil Verma Associates, Inc. | Once for MCO72 | VCM Policy | 8/2016 |
| 4 | Planning & Development | 16-PLN-A35 - Attestation Agreed-upon Procedures | CTG, Inc. | Once for PS22756-3041 | VCM Policy | 8/2016 |
| 5 | Program Management | 17-CON-A14 - Attestation Agreed-upon Procedures | Simon Wong Engineering, Inc. | Once for MCO72 | VCM Policy | 8/2016 |
| 6 | Program Management | 17-CON-A15 - Attestation Agreed-upon Procedures | TEC Management Consultants, Inc.'s | Once for MCO72 | VCM Policy | 8/2016 |
| 7 | Program Management | 17-CON-A06 - Attestation Agreed-upon Procedures | D' Leon Consulting Engineers | Once for MCO72 | VCM Policy | 8/2016 |
| 8 | Program Management | 17-CON-A09 - Attestation Agreed-upon Procedures | McMillen Jacobs Associates | Once for MCO72 | VCM Policy | 8/2016 |
| 9 | Planning & Development | 17-PLN-A01 - Attestation Agreed-upon Procedures | Terry A. Hayes Associates, Inc. | Once for AE24904 | VCM Policy | 8/2016 |
| 10 | Program Management | 17-CON-A12 - Attestation Agreed-upon Procedures | Ramos Consulting Services, Inc. | Once for MCO72 | VCM Policy | 9/2016 |
| 11 | Program Management | 17-CON-A13 - Attestation Agreed-upon Procedures | Safework, Inc. | Once for MCO72 | VCM Policy | 9/2016 |
| 12 | Program Management | 17-CON-A10 - Attestation Agreed-upon Procedures | Morgner Construction Management | Once for MCO72 | VCM Policy | 9/2016 |
| 13 | Program Management | 17-CON-A03 - Attestation Agreed-upon Procedures | Auriga Corporation | Once for MCO72 | VCM Policy | 9/2016 |
| 14 | Program Management | 17-CON-A08 - Attestation Agreed-upon Procedures | Lenax Construction Services, Inc. | Once for MCO72 | VCM Policy | 9/2016 |
| 15 | Program Management | 17-CON-A11 - Attestation Agreed-upon Procedures | New York Geomatic | Once for MCO72 | VCM Policy | 9/2016 |
| 16 | Program Management | 17-CON-A04 - Attestation Agreed-upon Procedures | BA Inc. | Once for MCO72 | VCM Policy | 10/2016 |
| 17 | Program Management | 17-CON-A05 - Attestation Agreed-upon Procedures | Dakota Communication | Once for MCO72 | VCM Policy | 10/2016 |

Appendix A

| Contract Pre-Award Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|--------------------|--|------------------------------------|---|--------------------|-----------------------|
| No. | Area | Audit Number & Type | Contractor | Frequency | Requirement | Date Completed |
| 18 | Metro Operations | 17-OPS-A01 - Attestation Agreed-upon Procedures | BYD Coach and Bus, LLC | Once for Unsolicited Proposal for Five (5) 60' Articulated Electric Buses | VCM Policy | 1/2017 |
| 19 | Program Management | 17-HWY-A11 - Attestation Agreed-upon Procedures | Parsons Transportation Group, Inc. | Once for RFP# AE30673 | VCM Policy | 2/2017 |
| 20 | Metro Operations | 16-OPS-A08 - Attestation Agreed-upon Procedures | Kinkisharyo International, L.L.C. | Once for Contract #P3010 | VCM Policy | 4/2017 |
| 21 | Metro Operations | 16-OPS-A03-S1 - Attestation Agreed-upon Procedures | BYD Motors, Inc. | Once for Contract #OP33202790 | VCM Policy | 5/2017 |
| 22 | Program Management | 17-HWY-A17 - Attestation Agreed-upon Procedures | TranSystems Corporation | Once for RFP# AE38849 | VCM Policy | 5/2017 |
| 23 | Program Management | 17-PLN-A27 - Attestation Agreed-upon Procedures | City Design Studio, LLC | Once for RFP# AE36724 | VCM Policy | 5/2017 |
| 24 | Program Management | 17-HWY-A18 - Attestation Agreed-upon Procedures | Civil Works Engineers, Inc. | Once for RFP# AE39064 | VCM Policy | 6/2017 |

Appendix B

| Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|-----------------------|-----------------------|-------------------|--|----------------|
| No. | Area | Audit Number & Type | Grantee | Frequency | Requirement | Date Completed |
| 1 | Program Management | 16-PLN-A27 - Closeout | City of Glendale | Once | Per Project Manager's request and MOU. MR310.05 terms | 8/2016 |
| 2 | Program Management | 12-PLN-A14 - Closeout | Caltrans | Once | Per Project Manager's request and MOU. P0002196 terms | 8/2016 |
| 3 | Planning & Development | 15-PLN-A13 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. P0007234 terms | 8/2016 |
| 4 | Planning & Development | 16-PLN-A07 - Closeout | City of Santa Clarita | Once | Per Project Manager's request and MOU. P0006364 terms | 8/2016 |
| 5 | Program Management | 16-PLN-A20 - Closeout | City of Glendale | Once | Per Project Manager's request and MOU. MR 310.19 terms | 9/2016 |
| 6 | Planning & Development | 16-PLN-A10 - Closeout | City of Long Beach | Once | Per Project Manager's request and MOU. P0008129 terms | 9/2016 |
| 7 | Planning & Development | 16-PLN-A23 - Closeout | City of Lancaster | Once | Per Project Manager's request and MOU. TOD.312.02.08 terms | 9/2016 |
| 8 | Planning & Development | 16-PLN-A15 - Closeout | City of Glendale | Once | Per Project Manager's request and MOU. P000F1306 terms | 9/2016 |
| 9 | Program Management | 16-PLN-A34 - Closeout | City of Malibu | Once | Per Project Manager's request and MOU. MR 311.28 terms | 10/2016 |
| 10 | Planning & Development | 16-PLN-A22 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. PSTUDYSFN terms | 10/2016 |
| 11 | Program Management | 14-PLN-A18 - Interim | Caltrans | 1st interim audit | Per Project Manager's request and MOU. P0004292 terms | 10/2016 |
| 12 | Program Management | 16-PLN-A37 - Closeout | City of Gardena | Once | Per Project Manager's request and MOU. MR312.21 terms | 10/2016 |

Appendix B

| Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|--|---|------------|---|----------------|
| No. | Area | Audit Number & Type | Grantee | Frequency | Requirement | Date Completed |
| 13 | Planning & Development | 17-SPE-R03A - Attestation Agreed-upon Procedures | Barrio Planners Incorporated | 13th Audit | VCM Policy & Contract Terms | 11/2016 |
| 14 | Planning & Development | 17-SPE-R03B - Attestation Agreed-upon Procedures | Barrio Planners Incorporated | 13th Audit | VCM Policy & Contract Terms | 11/2016 |
| 15 | Planning & Development | 15-PLN-A11 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. P0008054 terms | 11/2016 |
| 16 | Program Management | 17-HWY-A01 - Closeout | City of Glendale | Once | Per Project Manager's request and MOU. MR310.42 terms | 11/2016 |
| 17 | Program Management | 17-HWY-A06 - Closeout | City of Gardena | Once | Per Project Manager's request and MOU. MR312.17 terms | 12/2016 |
| 18 | Program Management | 17-CON-A17 - Attestation Agreed-upon Procedures | AECOM Technical Services, Inc. | Once | VCM Policy & Contract Terms # MC071 | 12/2016 |
| 19 | Program Management | 17-CON-A16 - Attestation Agreed-upon Procedures | Stantec Consulting Services, Inc. | 2nd Audit | VCM Policy & Contract Terms # MC071 | 12/2016 |
| 20 | Program Management | 17-CON-A24 - Attestation Agreed-upon Procedures | North American Infrastructure | 2nd Audit | VCM Policy & Contract Terms # MC071 | 12/2016 |
| 21 | Program Management | 17-CON-A23 - Attestation Agreed-upon Procedures | MARRS Services Inc. | 2nd Audit | VCM Policy & Contract Terms # MC071 | 12/2016 |
| 22 | Planning & Development | 16-PLN-A09 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. P0008090 terms | 12/2016 |
| 23 | Program Management | 17-CON-A21 - Attestation Agreed-Upon Procedures | AMEC Environment & Infrastructure, Inc. | 1st audit | VCM Policy & Contract Terms # PS4350-2000 | 1/2017 |

Appendix B

| Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|---|-------------------------------|---------------------------------|---|----------------|
| No. | Area | Audit Number & Type | Grantee | Frequency | Requirement | Date Completed |
| 24 | Program Management | 17-HWY-A04 - Closeout | City of La Canada Flintridge | Once | Per Project Manager's request and MOU. MR310.03 terms | 1/2017 |
| 25 | Program Management | 12-PLN-G06 - Closeout | Caltrans | 2nd audit; Interim and Closeout | Per Project Manager's request and MOU. P0006143 terms | 1/2017 |
| 26 | Program Management | 17-HWY-A02 - Closeout | City of Manhattan Beach | Once | Per Project Manager's request and MOU. MR312.04 terms | 2/2017 |
| 27 | Planning & Development | 16-PLN-A26 - Closeout | City of Glendale | Once | Per Project Manager's request and MOU. P000F1136A terms | 2/2017 |
| 28 | Planning & Development | 17-PLN-A07 - Attestation Agreed-Upon Procedures | LSA Associates, Inc. | 1st audit | VCM Policy & Contract Terms # PS4710-2755 | 2/2017 |
| 29 | Planning & Development | 16-PLN-A32 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. P000F1313 terms | 2/2017 |
| 30 | Planning & Development | 16-PLN-A14 - Closeout | City of Lancaster | Once | Per Project Manager's request and MOU. P0008102 terms | 2/2017 |
| 31 | Planning & Development | 16-PLN-A28 - Closeout | City of Burbank | Once | Per Project Manager's request and MOU. P000F1326 terms | 2/2017 |
| 32 | Planning & Development | 17-PLN-A14 - Closeout | City of Santa Monica | Once | Per Project Manager's request and MOU. P0001343 terms | 2/2017 |
| 33 | Planning & Development | 12-PLN-A07 - Closeout | City of Inglewood | Once | Per Project Manager's request and MOU. P0004318 terms | 2/2017 |
| 34 | Program Management | 17-CON-A25 - Attestation Agreed-upon Procedures | PB Americas, Inc. | 1st audit | VCM Policy & Contract Terms # PS4350-2000 | 3/2017 |
| 35 | Planning & Development | 17-PLN-A11 - Attestation Agreed-Upon Procedures | Alameda Corridor East Project | 2nd Audit | Per Project Manager's request and MOU. P0008002 terms | 4/2017 |

Appendix B

| Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|---|-------------------------------------|---------------------|---|----------------|
| No. | Area | Audit Number & Type | Grantee | Frequency | Requirement | Date Completed |
| 36 | Program Management | 17-CON-A26 - Attestation Agreed-upon Procedures | Safework, Inc. | 2nd audit for MC071 | VCM Policy & Contract Terms # MC071 | 4/2017 |
| 37 | Planning & Development | 16-PLN-A31 - Closeout | City of Los Angeles | Once | Per Project Manager's request and MOU. P00F1303 terms | 4/2017 |
| 38 | Planning & Development | 15-PLN-A09 - Closeout | County of Los Angeles | Once | Per Project Manager's request and MOU. P002316 terms | 4/2017 |
| 39 | Program Management | 17-CON-A20 - Attestation Agreed-upon Procedures | Advantec Consulting Engineers, Inc. | Once | VCM Policy & Contract Terms #PS4350-2000 | 4/2017 |
| 40 | Planning & Development | 17-PLN-A21 - Closeout | City of Avalon | Once | Per Project Manager's request and FA 920000000F7406 terms | 5/2017 |
| 41 | Planning & Development | 17-PLN-A12 - Attestation Agreed-upon Procedures | Alameda Corridor East Project | 1st Audit | Per Project Manager's request and MOU. MEAR8002R terms | 5/2017 |
| 42 | Planning & Development | 15-PLN-A10 - Closeout | City of Pasadena | Once | Per Project Manager's request and MOU. O0006324 terms | 5/2017 |
| 43 | Program Management | 17-CON-A22 - Attestation Agreed-upon Procedures | E.W. Moon, Inc. | Once | VCM Policy & Contract Terms #PS4350-2000 | 5/2017 |
| 44 | Planning & Development | 16-PLN-A17 - Attestation Agreed-upon Procedures | AECOM Technical Services, Inc. | Once | VCM Policy & Contract Terms #PS4710-2755 | 5/2017 |
| 45 | Planning & Development | 17-PLN-A04 - Closeout | City of Hawthorne | Once | Per Project Manager's request and MOU. P00F3109 terms | 5/2017 |
| 46 | Program Management | 17-HWY-A03 - Closeout | City of Hawthorne | Once | Per Project Manager's request and MOU. MR312.44 terms | 5/2017 |

Appendix B

| Incurred Cost Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|---|------------------------|---|-----------------------------------|-----------|---|----------------|
| No. | Area | Audit Number & Type | Grantee | Frequency | Requirement | Date Completed |
| 47 | Planning & Development | 12-PLN-A15 - Closeout | City of Compton | Once | Per Project Manager's request and MOU. P0008223 terms | 5/2017 |
| 48 | Program Management | 17-CON-A18 - Attestation Agreed-upon Procedures | ABCS Consulting Services | Once | VCM Policy & Contract Terms # | 5/2017 |
| 49 | Planning & Development | 17-PLN-A23 - Closeout | City of Norwalk | Once | Per Project Manager's request and FA 920000000F3443 terms | 5/2017 |
| 50 | Planning & Development | 11-PLN-C15D - Attestation Agreed-upon Procedures | Cambridge Systematics, Inc. | 4th audit | VCM Policy & Contract Terms #PS4340-1939 | 5/2017 |
| 51 | Planning & Development | 11-PLN-C15E - Attestation Agreed-upon Procedures | LSA Associates, Inc. | 4th audit | VCM Policy & Contract Terms #PS4340-1939 | 5/2017 |
| 52 | Program Management | 17-CON-A19 - Attestation Agreed-upon Procedures | JAD & Associates, LLC | Once | VCM Policy & Contract Terms #PS4350-2000 | 5/2017 |
| 53 | Program Management | 17-HWY-A08 - Attestation Agreed-upon Procedures | PacRim Engineering, Inc. | 1st audit | VCM Policy & Contract Terms #AE39064 | 5/2017 |
| 54 | Planning & Development | 16-PLN-A25 - Closeout | City of Downey | Once | Per Project Manager's request and MOU. P000F1119 terms | 6/2017 |
| 55 | Planning & Development | 11-PLN-AC15B - Attestation Agreed-upon Procedures | Environ International Corporation | 4th audit | VCM Policy & Contract Terms #PS4340-1939 | 6/2017 |
| 56 | Program Management | 17-CON-A42 - Attestation Agreed-upon Procedures | RAW International, Inc. | Once | VCM Policy & Contract Terms #PS4350-2000 | 6/2017 |
| 57 | Planning & Development | 17-PLN-A09 - Attestation Agree-upon Procedures | Epic Land Solutions, Inc. | Once | VCM Policy & Contract Terms #PS4710-2755 | 6/2017 |

Appendix C

| Internal Audit FY 2017 - Audits Completed During Fiscal Year | | | | | | |
|--|-----------------------------------|--|---|--------------------------------------|----------------------|------------------------------|
| No. | Area | Audit Number & Title | Description | Frequency | Requirement | Estimated Date of Completion |
| 1 | Planning & Development | 14-EDD-P01 - Performance Audit for Follow-Up of Real Estate Property Management | Determine whether corrective actions were effectively implemented to address prior findings on MAS Report 08-REA-F01. | 2nd Time; Last Audit was 9 Years Ago | Per FY 14 Audit Plan | 8/2016 |
| 2 | Finance & Administration | 16-AGW-P03 - Performance Audit of Overtime Usage | Evaluate the adequacy and effectiveness of the internal controls over the overtime usage and payments. | 7th Time; Last Audit was 6 Years Ago | Per FY 16 Audit Plan | 8/2016 |
| 3 | Finance & Administration | 16-ITS-P03 R1 - Performance Audit of Automated Storage and Retrieval System (ASRS) Manager Computer System Upgrade | Evaluate the effectiveness of the implementation process for the ASRS upgrade. | First Time | Per FY 13 Audit Plan | 10/2016 |
| 4 | Metro Operations | 16-OPS-P01 - Performance Audit of Wayside Systems- Track Maintenance | Evaluate the efficiency and effectiveness of the rail track maintenance process. | First Time | Per FY 16 Audit Plan | 11/2016 |
| 5 | Information & Technology Services | 16-ITS-P02 - Performance Audit of Information Technology Asset Management | Evaluate the adequacy of internal controls over IT Asset Management. | First Time | Per FY 16 Audit Plan | 6/2017 |

Appendix D

| Internal Audit FY 2017 - Progress Towards Completing Audit Plan | | | | | | |
|---|-----------------------------------|--|--|---|---------------------|------------------------------|
| Area | Area | Audit Number & Title | Description | Frequency | Requirement | Estimated Date of Completion |
| 1 | Program Management | 12-CON-P03 - Performance Audit for Follow-Up of the I-405 Sepulveda Pass Improvement Project | Verify implementation of agreed upon corrective actions from the initial audit of the I-405 Sepulveda Pass Improvement Project, Report No. 11-CON-K01, issued in August 2011. | 2nd Time; Last Audit 6 years ago | CEO Request | 9/2017 |
| 2 | Finance & Budget | 10-ACC-F01 - Performance Audit of Accounts Receivable | Determine the adequacy of internal controls to determine whether staff complied with accounts receivable policies and procedures, outstanding accounts receivable balances were collected in a timely manner, accounts receivable amounts were recorded accurately, and adequate segregation of duties were in place to prevent staff from performing conflicting duties (e.g. authorizing and approving accounts receivable credits and write-offs). | First Time | Per FY16 Audit Plan | 9/2017 |
| 3 | Congestion Reduction | 16-CEO-P02 - Performance Audit for Follow- Up of 511 | Follow Up on 511 Audit. | 2nd Time; Last Audit 5 Years Ago | CEO Request | 9/2017 |
| 4 | Vendor / Contract Management | 17-VCM-P01 - Performance Audit of Business Interruption Fund | Annual Audit of Business Interruption Fund. | 2nd Time; Last Audit 1 year ago | Per FY17 Audit Plan | 9/2017 |
| 5 | Program Management | 16-CON-P04 - Performance Audit of Construction Quality Assurance | Evaluate the efficiency and effectiveness of the agency's Construction Quality Assurance Program over minor construction projects (less than \$100 million) and to follow up on the implementation of recommendations from the prior Performance Audit of Construction Quality Assurance, No. 11-CON-K02. | 2nd Time; Last Audit 3 years ago | Per FY16 Audit Plan | 10/2017 |
| 6 | Finance & Budget | 17-OMB- P01 - Performance Audit of Cash Counting Process | Evaluate controls of Cash Counting Process. | 2nd Time; Last Audit 7 years ago | Per FY17 Audit Plan | 10/2017 |
| 7 | Metro Operations | 17-OPS-P07 - Performance Audit of Track Allocation | Determine the effectiveness of the track allocation process. | First Time | Per FY16 Audit Plan | 10/2017 |
| 8 | Finance & Budget | 17-OMB-P02 - Performance Audit of Farebox Collections | Evaluate the effectiveness of internal controls over Farebox cash collection. | First Time | Per FY17 Audit Plan | 10/2017 |
| 9 | Information & Technology Services | Performance Audit of Information Technology Project Management | To evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process. A sample from all information technology systems acquired, upgraded, developed and/or implemented during the period from July 1, 2013 through June 30, 2016 will be selected to assess the efficiency and effectiveness of the Project Management Process, including the projects' success from the end user perspective. | First Time | Per FY17 Audit Plan | 10/2017 |
| 10 | Vendor / Contract Management | 16-VCM- P01 - Performance Audit of P-Card | Evaluate compliance to P-card purchase requirements. | 3rd Time; Last audits 4 and 8 years ago | Per FY16 Audit Plan | 10/2017 |

Appendix D

| Internal Audit FY 2017 - Progress Towards Completing Audit Plan | | | | | | |
|---|---|---|---|----------------------------------|---------------------|------------------------------|
| Area | Area | Audit Number & Title | Description | Frequency | Requirement | Estimated Date of Completion |
| 11 | Metro Operations | 16-OPS-P03 - Performance Audit of Accident Prevention Program | Determine the efficiency and effectiveness of Operations' Accident Prevention Practices. | First Time | Per FY16 Audit Plan | 11/2017 |
| 12 | Vendor / Contract Management | 17-VCM-P02 - Performance Audit of Change Order Process | To determine the extent of Vendor/Contract Management's compliance with policies and procedures To determine Vendor/Contract Management's adequacy of the justification documentation for approving contract change orders/modifications To determine the extent of key information utilization for contract change orders/modifications Identify best practices and present to Vendor/Contract Management for consideration. | First Time | Per CEO Request | 11/2017 |
| 13 | Vendor / Contract Management | 17-VCM-P04 - Performance Audit of Pre-Award Process | To determine the extent of Vendor/Contract Management's compliance with policies and procedures To determine Vendor/Contract Management's adequacy of the justification documentation for the vendor contract selection method (e.g. best value, lowest bid) To determine the extent of key information utilization to select vendors for contract awards Identify best practices and present to Vendor/Contract Management for consideration. | First Time | Per CEO Request | 11/2017 |
| 14 | Employee & Labor Relations / Finance & Budget | 17-OMB-P04 - Audit of Position Reconciliation Process | To evaluate the adequacy of the Position Reconciliation Process between the Cost centers, the Human Resources office, and Office of Management and Budget. | 2nd Time; Last Audit 6 years ago | Per FY17 Audit Plan | 11/2017 |
| 15 | Agency-Wide | 17-AGW-P01 - Performance Audit of Consultant Hours | Evaluate efficiency and effectiveness of the use of consultants. | First Time | Per FY17 Audit Plan | 12/2017 |

Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|------------|----------------------|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | Operations | 11-OPS-006 - HASTUS | 2 | We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features. Update: HASTUS upgrade bug fixes are scheduled during June 2017 shake-up. When the June 2017 shake-up is finished, staff will be fully trained. | 6/30/2016 | 12/31/2017 |
| 2 | Operations | 11-OPS-006 - 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 upgrade can be accomplished. Update: HASTUS upgrade bug fixes are scheduled during June 2017 shake-up. When the June 2017 shake-up is finished, staff will be fully trained. | 6/30/2016 | 12/31/2017 |
| 3 | Operations | 11-OPS-006 - 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: Upgrade of the HASTUS system to 2015 version is completed. Decision is being made between use of minimum of #1 or #2 | 6/30/2016 | 12/31/2017 |
| 4 | Operations | 11-OPS-006 - 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: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress. | 6/30/2016 | 12/31/2017 |
| 5 | Operations | 11-OPS-006 - 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: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress. | 6/30/2016 | 12/31/2017 |
| 6 | Operations | 11-OPS-006 - 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: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress. | 6/30/2016 | 12/31/2017 |

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

Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|--------------------|--------------------------------------|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 7 | Operations | 11-OPS-006 - 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: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress. | 6/30/2016 | 12/31/2017 |
| 8 | Operations | 11-OPS-006 - HASTUS | 11 | We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress. | 6/30/2016 | 12/31/2017 |
| 9 | Operations | 11-OPS-006 - HASTUS | 12 | We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. Update: Upgrade of the HASTUS system to 2015 version is completed. | 6/30/2016 | 12/31/2017 |
| 10 | Program Management | 13-CEO-P01 - Cost Estimating Process | 2 | Communicate the policies and procedures to staff, consultants and users. Update: Closed as of July 2017. | 3/31/2017 | 6/30/2017 |
| 11 | 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. Update: The B-TAP program is under review by OMB and TAP operations. | 3/31/2017 | 12/31/2017 |
| 12 | Communications | 16-COM-P01 - Special Fares Programs | 20 | We recommend the Communications Department to report the program (J-TAP) performance periodically to the appropriate level of management to support decision making. Update: Pending completion of MOU which is currently being reviewed by County Counsel. | 3/31/2017 | 12/31/2017 |
| 13 | Communications | 16-COM-P01 - Special Fares Programs | 21 | We recommend the Communications Department to renew the agreement (J-TAP) with the Court to confirm mutual agreement. Update: Pending completion of MOU which is currently being reviewed by County Counsel. | 3/31/2017 | 12/31/2017 |
| 14 | Communications | 16-COM-P01 - Special Fares Programs | 22 | We recommend the Communications Department to revisit the program (J-TAP) purpose and guidelines/requirements to assess the current J-TAP Program performance. Update: Pending completion of MOU which is currently being reviewed by County Counsel. | 3/31/2017 | 12/31/2017 |

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Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|------------------------|-------------------------------------|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 15 | 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 (YOTM) guidelines and requirements. Update: Pending completion of MOU which is currently being reviewed by County Counsel. | 3/31/2017 | 12/31/2017 |
| 16 | Communications | 16-COM-P01 - Special Fares Programs | 25 | We recommend the Communications Department to assess the program (YOTM) performance periodically, and report to the appropriate level of management. Update: Pending completion of MOU which is currently being reviewed by County Counsel. | 3/31/2017 | 12/31/2017 |
| 17 | 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. Update: The B-TAP program is under review by OMB and TAP operations. Once MCS receives an update from OMB regarding the B-TAP pricing, MCS will be implementing new rules and pricing models to ensure optimal program revenue. | 3/31/2017 | 12/31/2017 |
| 18 | Planning & Development | 14-EDD-P01 - Real Estate Property | 9 | We recommend that Real Estate Management set dollar threshold levels of approval for credit memos. Update: Dollar thresholds are being finalized and will be reviewed by all stakeholder groups. This recommendation will meet the target of 9/30/2017. | 6/30/2017 | 9/30/2017 |
| 19 | 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. Update: Master schedule is in development as well as logistics, after-action, and resource requirements for successful execution of any Inspection Master Schedule. | 6/30/2017 | 12/31/2017 |
| 20 | 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. Update: Property management is in the process of revising its write off process and procedures as defined in Audit Recommendation 13 and then will begin the process of writing off all customer accounts deemed uncollectable with an expected completion timeline of 12/31/2017. | 6/30/2017 | 12/31/2017 |

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

Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 21 | 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. Update: Asset Management will revise its dollar thresholds once senior management positions have been filled. | 6/30/2017 | 12/31/2017 |
| 22 | 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. Update: Real Estate Management is working with Accounting to resolve the reconciliation of discrepancy between Invoices vs. actual payment made by the customer because Asset Management in Real Estate Department is responsible for preparing billing schedules and Accounting is responsible for generating invoices. Both departments need to work together to correct the issue. | 6/30/2017 | 10/31/2017 |
| 23 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 1 | We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements. | 6/30/2017 | |
| 24 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 2 | We recommend the Chief Operations Officer require Track management to develop a formal risk assessment of potential failures for track components or assets aimed at supplementing the current inspection program with a scheduled maintenance plan for selected components or maintenance practices. | 6/30/2017 | |
| 25 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 4 | We recommend the Chief Operations Officer require Track management to develop quality standards for track maintenance to proactively maintain Metro's unique track infrastructure. | 6/30/2017 | |
| 26 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 6 | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions. | 6/30/2017 | |
| 27 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 7 | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to train inspectors to properly complete both inspection and maintenance forms. | 6/30/2017 | |

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Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 28 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 8 | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels. | 06/30/2017 | |
| 29 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 9 | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to collaborate with ITS to explore best options to enter inspection results in electronic format in a centralize location to allow future trends and analyses of data. Update: Closed as of August 2017. | 6/30/2017 | |
| 30 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 10 | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition. | 6/30/2017 | |
| 31 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 11 | We recommend that the Chief Operations Officer, require Track management to collaborate with ITS to maximize the use of the M3 system (Inspection and/or Work Management modules) or identify a new system that is more suited for their process and make this a budgetary priority. Update: Closed as of August 2017. | 6/30/2017 | |
| 32 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 12 | We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system. | 6/30/2017 | |
| 33 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 13 | We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports. | 6/30/2017 | |
| 34 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 15 | We recommend the Chief Operations Officer require Tracks Management to develop departmental policies and procedures specific to Track Maintenance activities and specify the track maintenance standards and/or guidelines that should be followed. | 6/30/2017 | |
| 35 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 16 | We recommend the Chief Operations Officer require Tracks Management to develop an illustrative field manual based on Metro's own criteria for track maintenance and allocate the necessary budget to do this. | 6/30/2017 | |
| 36 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 17 | We recommend the Chief Operations Officer require Tracks Maintenance to update SOPs to align with the track inspection criteria. | 6/30/2017 | |

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

Appendix E

| Open Audit Recommendations | | | | | | |
|----------------------------|-----------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 37 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 19 | We recommend that the Chief Operations Officer require Track Management to create a long term maintenance equipment acquisition and replacement plan, recognizing the need for reliable and uninterrupted equipment utilization for our expanding rail operations and obtain the budget and resources necessary for the plan. Update: Closed as of August 2017. | 6/30/2017 | |
| 38 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 20 | We recommend that the Chief Operations Officer require Track Management to define training and certification program requirements for each task performed by the unit, including the frequency for each course. | 6/30/2017 | |
| 39 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 21 | We recommend that the Chief Operations Officer require Track Management to bring inspectors current on all their training and re-certification requirements including refresher and welding courses. | 3/31/2017 | |
| 40 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 22 | We recommend that the Chief Operations Officer require Track Management to consider collaborating with ITS to determine whether Operations' existing OTTS system can be modified and used by Rail Instruction or implement and automated Track Training Management system to gain greater visibility of employee training records and data. | 12/31/2017 | |
| 41 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 23 | We recommend that the Chief Operations Officer require Track Management to consider making specialized areas such as welding a part of the Inspector's Job specification. | 6/30/2017 | |
| 42 | Operations | 16-OPS-P01 - Wayside Systems - Track Maintenance | 24 | We recommend that the Chief Operations Officer require Track Management to consider acquiring a dedicated instructor for Track Maintenance to ensure all employees receive appropriate training. | 7/31/2017 | |
| 43 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 1 | LACMTA must review and/or revise Emergency Plans at intervals as required by LACMTA procedures. | 7/1/2017 | |
| 44 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 2 | LACMTA Management should properly complete and fill out the Ride Check Forms with accurate and correct information. | 7/15/2017 | |

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

Appendix E

| Open Audit Recommendations | | | | | | |
|-----------------------------------|-----------------------------|--|-----------------|---|---------------------------------|---------------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 45 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 5 | LACMTA Management should assure employees complete the SCADA Monthly Preventative Maintenance sheets per Metro procedure and LACMTA Line Managers should properly complete and fill out the Ride Check Forms with accurate and correct information. | 7/7/2017 | |
| 46 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 6 | LACMTA Management should sign and approve current SCADA Systems Engineering and Maintenance manual. | 7/7/2017 | |
| 47 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 8 | LACMTA should keep hard copies of maintenance records. | 7/11/2017 | |
| 48 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 9 | LACMTA should update the maintenance plans to reflect the systems equipment and conditions. | 9/1/2017 | |
| 49 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 10 | LACMTA maintenance personnel should completely fill out checklists before closing out work order. | 7/11/2017 | |
| 50 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 13 | LACMTA should completely and correctly fill out daily inspections for all HY-Rail vehicles in service, document any defects found on inspections and not operate vehicles until these defects are corrected, have all required inspection documents, such as daily inspections, properly filled out with dates, employee signatures, items checked for safety, and supervisor's signature to verify inspections are being done. | 7/30/2017 | |
| 51 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 16 | LACMTA should comply with MUTCD 8C.04 for gate striping. | 7/1/2017 | |

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

Appendix E

| Open Audit Recommendations | | | | | | |
|-----------------------------------|---------------------------------|--|-----------------|---|---------------------------------|---------------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 52 | Risk Management/ Operations | 2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority | 20 | LACMTA Rule 4392 should comply with CPUC G.O. 175, Section 2.23 definition of a watchperson. (Watchperson cannot do anything other than look out for oncoming trains.) Update: Closed as of July 2017. | 7/15/2017 | |
| 53 | Operations | Fiscal Year 2017 Triennial Review | 3b | LACMTA needs to submit to the FTA Region IX Los Angeles Metropolitan Office a subrecipient maintenance oversight program, along with evidence of its implementation. Update: Closed as of August 2017. | 8/9/2017 | |
| 54 | Vendor Contract Management | Fiscal Year 2017 Triennial Review | 6 | LACMTA needs to submit to the FTA Region IX Los Angeles Metropolitan Office evidence that it has implemented its revised subrecipient procurement monitoring program. Update: Closed as of August 2017. | 8/9/2017 | |
| 55 | Information Technology Services | Performance Audit of IT Asset Management | 1 | We recommend that the ITS Department Management continue to locate the 136 computers that were reported not found during the physical inventory conducted on August 24, 2016. | 12/31/2017 | |
| 56 | Information Technology Services | Performance Audit of IT Asset Management | 2 | We recommend that the ITS Department Management complete the update of the Standards Compliance and Asset Management (IT 7) Policy to clarify the roles and responsibilities of the ITS department and other cost centers in tracking and managing IT assets. The policy should include the types of IT assets that need to be maintained in IT asset inventory records. The policy revision should also include the extent of the periodic physical inventory/reconciliation based on the risk associated with the type of IT assets and the amount of investment on various types of IT assets. | 12/31/2017 | |
| 57 | Information Technology Services | Performance Audit of IT Asset Management | 3 | We recommend that the ITS Department Management establish a process to maintain a complete and accurate IT asset list by improving the monitoring/tracking for IT asset acquisition, issuance, retirement, disposal, etc. | 10/31/2017 | |
| 58 | Information Technology Services | Performance Audit of IT Asset Management | 4 | We recommend that the ITS Department Management oversee the periodic physical inventory (at least annually) of IT assets that are excluded from the physical inventory/ reconciliation for federally funded assets (below \$5000 unit price), but had been determined material in amount due to high frequency/volume purchases. Resolve any discrepancies to ensure the accuracy and completeness of IT asset inventory records. | 8/31/2017 | |

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

Appendix F

| OIG Open Audit Recommendations | | | | | | |
|--------------------------------|-------------------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 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 | 8/31/2017 |
| 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 | 12/31/2017 |
| 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. Update: Revised Policy is complete and awaiting comments and approval from other Strategic Business Units. | 8/31/2016 | 8/31/2017 |
| 4 | 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 | 9/1/2017 |
| 5 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1a | We recommend the Senior Executive Officer of Rail Operations to require Rail Transportation supervisors (Division Directors/RTOSs) to receive training on HASTUS reports. | 4/30/2017 | 7/31/2017 |
| 6 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1b | We recommend the Senior Executive Officer of Rail Operations to instruct RTOSs to avoid bypassing HASTUS warnings of potential rest break violations and make all necessary adjustments to rail operators' schedules. | 4/30/2017 | 7/31/2017 |
| 7 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1d | We recommend the Senior Executive Officer of Rail Operations to remind RTOSs that when necessary, they should adjust the rail operators' remaining hours to ensure they do not exceed 12 hours when rail operators unexpectedly work through unpaid splits in the middle of their workdays. | 4/30/2017 | 7/31/2017 |
| 8 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1e | We recommend the Senior Executive Officer of Rail Operations to remind supervisors (Division Directors/RTOSs) to be careful when updating HASTUS with operators' schedules to avoid typos or other errors that could result in erroneous payments. | 4/30/2017 | 7/31/2017 |
| 9 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1fi | We recommend the Senior Executive Officer of Rail Operations to: i. comply with Metro's Employee Code of Conduct in regards to employees obtaining approval from their supervisors before starting outside employment, ii. discuss procedures when an employee is approved to have outside employment, iii. and discuss the Secondary Employment Notification form procedures. | 4/31/2017 | 7/31/2017 |
| 10 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1fiii | We recommend the Senior Executive Officer of Rail Operations to: i. comply with Metro's Employee Code of Conduct in regards to employees obtaining approval from their supervisors before starting outside employment, ii. discuss procedures when an employee is approved to have outside employment, iii. and discuss the Secondary Employment Notification form procedures. | 4/30/2017 | |
| 11 | Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 1g | We recommend the Senior Executive Officer of Rail Operations to modify the Secondary Employment Notification form to be specific to rail operations or make it generic enough to apply to both rail and bus. | 4/30/2017 | 7/31/2017 |

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| 12 | Employee & Labor Relations/ Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 2a | We recommend the Chief Human Capital & Development Officer in coordination with Rail Operations to consider negotiating a 10-hour rest break period for rail operators in the new SMART contract. Update: Closed as of August 2017. | 6/30/2017 | |
| 13 | Employee & Labor Relations / Operations | 17-AUD-03 - Audit of Rail Operator Service Hours | 2b | We recommend the Chief Human Capital & Development Officer to consider negotiating a requirement in the upcoming new SMART contract to limit the number of consecutive days rail operators can work. Update: Closed as of August 2017. | 6/30/2017 | |
| 14 | Employee & Labor Relations | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 1a | We recommend that the Travel Program Administrator require TAs involving business meetings have a business itinerary that includes contacts, location of the meeting, and date/time of the meeting. | 8/31/2017 | |
| 15 | Employee & Labor Relations | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 1b | We recommend that the Travel Program Administrator implement plans to require written approval from the traveler's Executive Officers for any exceptions to the lodging rate. | | |
| 16 | Employee & Labor Relations | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 1c | We recommend that the Travel Program Administrator ensure rental cars are not picked up until they are needed, when feasible. | 8/31/2017 | |
| 17 | Vendor / Contract Management | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 2a | We recommend that the Chief, Vendor/Contract Management ensure that approved TAs involving business meetings include an adequate business itinerary that includes contacts, location of the meeting, and date/time of the meeting. Update: Closed as of August 2017. | | |
| 18 | Vendor / Contract Management | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 2b | We recommend that the Chief, Vendor/Contract Management, in coordination with the Travel Program Administrator, consider whether Metro should seek reimbursement from the former procurement official for the Saturday expenses for the personal day (\$338). Update: Closed as of August 2017. | | |
| 19 | Vendor / Contract Management | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 2c | We recommend that the Chief, Vendor/Contract Management ensure all TBE reports are submitted within 30 days after travel is completed. Update: Closed as of August 2017. | | |

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| 20 | Vendor / Contract Management | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 2d | We recommend that the Chief, Vendor/Contract Management remind Contracting Administrators to include all required costs when drafting contracts. Update: Closed as of August 2017. | | |
| 21 | Vendor / Contract Management | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 2e | We recommend that the Chief, Vendor/Contract Management have Contract Administrators remind Project Managers to carefully review contracts and follow all of the contract terms. Update: Closed as of August 2017. | | |
| 22 | Finance & Budget | 17-AUD-06 - Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2016 to September 30, 2016 | 3 | We recommend that the Executive Officer Finance/Controller should revise section 1.2.1 of FIN 14 to reflect current practices. Update: Closed as of July 2017. | 7/31/2017 | |
| 23 | Program Management | 16-AUD-01 - Capital Project Management Best Practices Study | 1-109 | The 109 recommendations included in this report address findings in low bid contracting, project delivery method selection process and criteria, contract administration, obtaining necessary approvals from cities to avoid delays, etc. Update: As of June 30, 2017, 60 recommendations have been completed that are pending review of supporting documentation by the OIG. | | |

*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Program Management and Operations have hired consultants to assist in addressing the most critical elements of the Best Practices Study and Review of Metro Safety Culture and Rail Operational Safety.