

Quarterly Report to Metro Board of Directors

FY 2026 Third Quarter



**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

Performance Audits

Contract, Financial, & Compliance Audits

Financial and Compliance Audits of Metro

Audit Follow-Up and Resolution



90 AUDIT PROJECTS IN PROGRESS



8 COMPLETED CONTRACT, FINANCIAL, AND COMPLIANCE AUDITS

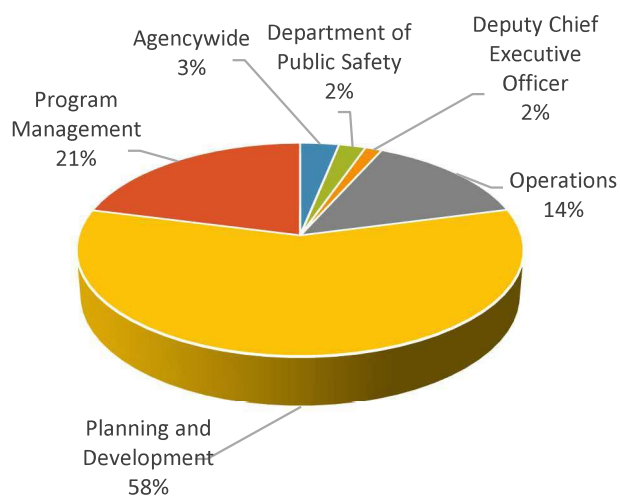


2 COMPLETED PERFORMANCE AUDITS



35 OPEN AUDIT RECOMMENDATIONS

Summary of Audit Activity by Department
Reporting Period
January 1, 2026 – March 31, 2026



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 90 in-progress projects as of March 31, 2026, which include 10 performance projects and 80 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 17 open MAS audit recommendations and 18 open for the Office of the Inspector General (OIG).

Summary of Third Quarter Completed Audit Activity

MAS completed 142 audit projects. The projects are comprised of two performance audits, 8 contract, financial and compliance audits, and 132 financial and compliance audits of Metro issued by external Certified Public Accountant (CPA) firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audits issued by external firms are highlighted on page 6.

A summary of the open audit recommendations is included on page 8.

Executive
Summary**Performance
Audits**Contract, Financial, &
Compliance AuditsFinancial and Compliance
Audits of MetroAudit Follow-Up
and Resolution

This section includes performance audits completed in accordance with Global Internal Audit Standards and Generally Accepted Government Auditing Standards, in addition to other types of projects performed by the Performance Audit team to support Metro. Other projects may include independent reviews, analyses, or assessments of select areas. All performance projects are intended to help support decision-making and promote organizational effectiveness.

Gold Line Extension Phase 2B1 Project


The objective of this audit was to evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's (the Authority's) project management of the Gold Line Extension Phase 2B1 Project, and Metro Operations' planning and execution of final year processes leading to revenue service. Project management processes evaluated included monitoring of budget versus actual costs, risk assessment and risk mitigation, compliance with funding agreement terms and amendments, and planning for final-year processes. The scope covered the period from September 1, 2024 through May 30, 2025.

The audit found that Metro's oversight of the final year processes for revenue service and of the Authority's project management over Phase 2B1 was effective. There were, however, inconsistencies between certain information in the project cost reports prepared by the Authority and by Metro. The audit also noted that approved funding for Phase 2B1 exceeds the approved Phase 2B LOP budget by \$125 million. In monitoring project costs, it was unclear whether Program Management was comparing the Phase 2B1 forecasted project cost at completion against the approved Phase 2B LOP budget or the Phase 2B1 available funding amount. MAS provided management with five recommendations and will follow up to ensure implementation.

Small Business Enterprise (SBE) Certification Processes

The objective of this audit was to assess whether the Diversity and Economic Opportunity Department's (DEOD's) certification procedures are effective in identifying and confirming eligible businesses, evaluate whether DEOD adheres to relevant laws, regulations, and policies and procedures, and determine whether DEOD has mechanisms in place to track performance, resolve issues, and improve procedures over time.

Overall, MAS found that DEOD's certification programs are effective and are generally in compliance with applicable requirements. DEOD has taken steps to support ongoing improvements and to assist applicants throughout the certification process. However, a few exceptions were noted during the audit, and there are opportunities to further increase applicants' access to necessary assistance. Improvements should be made in data retention for records of notices, including notices of upcoming annual reviews and completion of eligibility determinations. MAS provided management with two recommendations and will follow up to ensure implementation.

Executive
SummaryPerformance
Audits

**Contract, Financial, &
Compliance Audits**
Financial and Compliance
Audits of MetroAudit Follow-Up
and Resolution

MAS staff completed 8 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Hawthorne – Prairie Avenue Mobility Project	\$8,905,098	\$0
City of La Canada Flintridge – Soundwalls on Interstate 210 (Phase 3)	\$12,184,884	\$0
City of Santa Clarita – Intelligent Transportation Systems (ITS) Phase VI	\$2,407,815	\$53,723
City of Glendale – Glendale Sub-Regional Traffic Management Center Implementation Project	\$889,377	\$0
City of Beverly Hills – Pedestrian Improvements at Selected Crosswalks within Beverly Hills	\$3,087,715	\$0
Thornton Tomasetti	\$516,363	\$11,652
<i>Reviewed and questioned costs were not identified for the following as these audits reviewed labor rates for pre-award or indirect cost rates and/or Local Employment Program Compliance.</i>		
Barrio Planners, Inc.	N/A	N/A
ABCS Consulting Services	N/A	N/A
Total Amount	\$27,991,252	\$65,375

Contract, financial and compliance audits completed during FY 2026 third quarter are included in Appendix B.

Executive
SummaryPerformance
AuditsContract, Financial, &
Compliance Audits

**Financial and Compliance
Audits of Metro**
Audit Follow-Up
and Resolution

The following highlights financial and compliance audits of Metro completed by external CPA firms:

Consolidated Audits – Issued Various Dates

MAS contracted with two firms, Simpson & Simpson, LLP and Vasquez + Company LLP, to conduct and issue 132 financial and compliance audits of the following programs for the year ended June 30, 2025:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure M Local Return
 - Measure R Local Return
 - Transportation Development Act (TDA) Article 3, Article 4 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Prop A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance
 - Transit System Funds
 - Measure M 20%
 - Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Fare Subsidies Programs
 - Low-Income Fare is Easy (LIFE) Program¹
- Metrolink Program
- EZ Transit Pass Program
- Access Services¹
- LADOT
- High Desert Corridor JPA

Local Return

Proposition A and C

The auditors (Vasquez and Simpson) found that the County and Cities complied, in all material respects, with the requirements in the Ordinances and Guidelines that are applicable to the Proposition A and Proposition C Local Return program for the fiscal year ended June 30, 2025.

The auditors found 37 instances of non-compliance for Proposition A and C, consisting of 24 findings not resulting in questioned costs. Thirteen findings with questioned costs totaling \$1.17 million for Proposition A and \$3.57 million for Proposition C represent roughly 1% of 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.

Measure R

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2025.

The auditors found 18 instances of non-compliance for Measure R, consisting of seven findings not resulting in questioned costs. Eleven findings with questioned costs totaling \$2.98 million for Measure R less than 2% of the total amount 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.

Measure M

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2025.

The auditors found 18 instances of non-compliance for Measure M, consisting of eight findings not resulting in questioned costs. Ten findings with questioned costs totaling \$3.05 million for Measure M represent less than 2% of the total amount 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

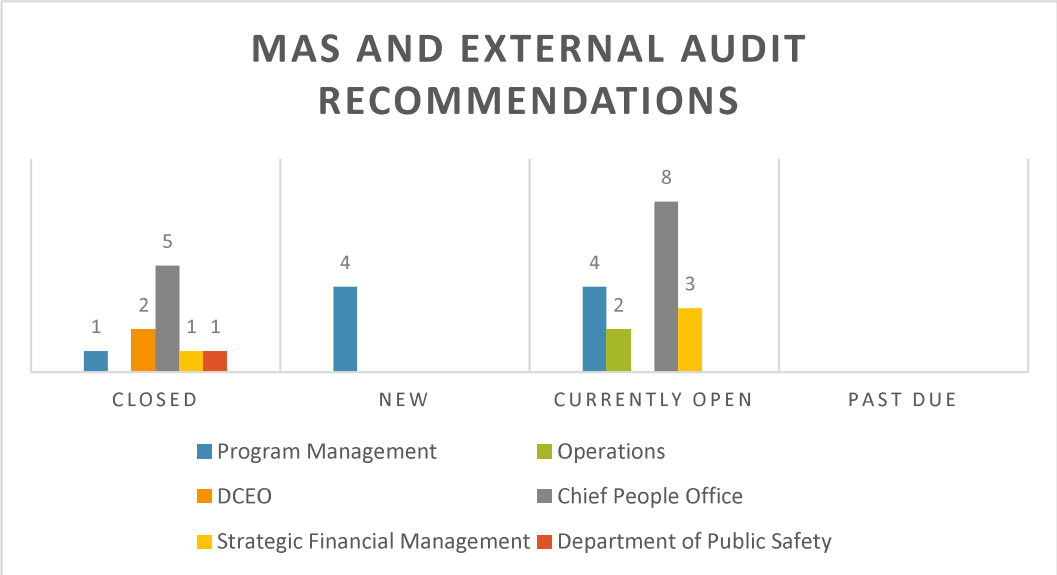
The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit presented fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; 19 findings for the TDA Article 3 program, one finding related to invoice approval for High Desert Corridor JPA, and one finding for Metrolink. Metro Program Managers are working with the fund recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

A receive and file report with additional details on the Consolidated Audit will be brought to the committee in the coming months.

¹ Results of the Access Services and LIFE Eligibility Verification audits will be included in the FY26 fourth quarter report pending completion.



The graphs below summarize the open audit recommendations as of March 31, 2026:



17 open recommendations

10 closed recommendations



18 open OIG recommendations

8 closed OIG recommendations

Details of open audit recommendations for MAS are included in Appendix C. Details of open audit recommendations for OIG are included in Appendix D.

Appendix A

Performance Audit - In Progress Projects as of March 31, 2026				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Planning and Development	25-PLN-P01 - Project Grant Funding	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	5/2026
2	Program Management	24-CON-P01 - Purple (D-Line) Extension 1 (PDLE1)	Evaluate the state of processes and planning for final-year activities (testing, certification, training, activation) of PDLE1 transit project prior to start of revenue operations.	5/2026
3	Department of Public Safety	25-SEC-P02 - Safety Response to Reported Incidents	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	6/2026
4	Program Management	25-CON-P02 - Division 20 Portal Widening Turnback Facility	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	6/2026
5	Department of Public Safety	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	7/2026
6	Planning and Development	26-PLN-P01 - Measure M Subregional Program (MSP)	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	7/2026
7	Planning and Development	26-PLN-P02 - Real Estate Condition and Utilization	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	8/2026
8	Operations	26-OPS-P01 - Non-revenue Vehicles	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	8/2026
9	Operations	26-OPS-P02 - Wayside Track Maintenance	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	9/2026
10	Operations	26-OPS-P03 - Bus Division Operations Efficiencies	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals. Note: Project paused until August 2026 to allow Operations team to prioritize World Cup responsibilities.	3/2027

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of March 31, 2026				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning and Development	24-PLN-A26	City of Hawthorne	1/2026
2	Planning and Development	26-HWY-A03	City of La Canada Flintridge	1/2026
3	Planning and Development	24-CON-A05(B)	Barrio Planners, Inc.	2/2026
4	Planning and Development	24-CON-A04(E)	ABCS Consulting Services	2/2026
5	Planning and Development	25-CON-A06	Thornton Tomasetti	2/2026
6	Planning and Development	25-PLN-A15	City of Santa Clarita	2/2026
7	Planning and Development	26-PLN-A04	City of Glendale	2/2026
8	Planning and Development	26-PLN-A03	City of Beverly Hills	3/2026

Appendix C

Open Audit Recommendations as of March 31, 2026						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1-2	Operations	21 SEC P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	2 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
3-5	Strategical Financial Management	23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers	3 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
6	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1b	Perform monthly reconciliations of human resource/payroll deduction report to validate that payroll deductions align with carrier invoices.	10/31/2025	12/31/2026 ²
7	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1d	Implement monitoring of dependent eligibility and 'age-out' events.	9/30/2025	12/31/2026 ²
8	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1e	Identify methods to automate the procedures in 1(b) and 1(c) above as part of the new payroll system implementation.	12/31/2025	12/31/2026 ²
9	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3d	The Chief People Office should ensure Pension and Benefits arranges for invoices to be sent directly to Accounts Payable as well as to Pension and Benefits.	12/31/2025	4/30/2026 ³
10	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	2a	The Chief People Officer should direct Pension and Benefits management to develop detailed SOPs covering the employee pension contribution process, including report generation, review, and exception handling.	11/30/2025	12/31/2026 ²
11	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	5	The Chief People Officer should direct Pension and Benefits management to establish a formal succession planning framework that maintains leadership continuity and operational resilience. This should include formulating and documenting a succession plan, implementing cross-training, instituting knowledge transfer and resource documentation, and monitoring and evaluating preparedness to ensure employees can assume other important roles in the event of a future absence or departure of the department head or key personnel.	6/30/2026	
12	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	7	The Chief People Officer should direct Pension and Benefits to evaluate the upcoming Oracle HCM Cloud Suite implementation to assess opportunities for automating the pension process, replacing manual workflows, scanning employee documents, improving change history, and ensuring enhanced integration across Human Resources, Payroll, and Pension and Benefits functions to improve accuracy and efficiency in pension management.	12/31/2025	12/31/2026 ²

Appendix C

Open Audit Recommendations as of March 31, 2026						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	8	The Chief People Officer should direct Pension and Benefits and ITS Administration management to incorporate enhanced controls and validations into the upcoming Oracle HCM Cloud Suite system. These enhanced controls and validations should include mechanisms such as logical checks to prevent contradictory or missing pension codes from being assigned, particularly for ineligible job classes. Also, job status changes should automatically trigger reviews to ensure pension codes are updated promptly. Increased automation will help minimize manual data entry errors.	12/31/2025	12/31/2026 ²
14	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	1.1	We recommend Metro's Project Manager review the cost categories as provided by the Authority for the correct alignment and inclusion in the Monthly Project Cost Report by Element and direct the Authority to report Metro's cost share as a line item excluded from the Authority's financial status totals since the Authority does not incur those costs.	1/31/2026	
15	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	2.1	We recommend Metro's Project Manager include estimated values for PCOs, RFCs, and the Current Project Forecast in the Monthly Status Report, excluding items under litigation or pending dispute resolution, in accordance with current Program Management practice.	3/31/2026	
16	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	4.1	Metro should review the current project (GLE2B1) forecast and identify any cost savings and the impact of allocated funding sources.	9/30/2026	
17	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	4.2	Metro should consult with Strategic Financial Management to determine if any revision to the LOP budget is required to reflect current forecasts for sections to Pomona or Montclair.	9/30/2026	

² Recommendation is dependent on Oracle Human Capital Management (HCM) project, which is tentatively scheduled to go live in December 2026.

³ CPO is evaluating feasibility of alternative invoicing process.

Appendix D

Open OIG Audit Recommendations as of March 31, 2026						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	16	Continue to test and determine the effectiveness of the independent solar panel lights on top of the signposts. Consider expanding use of the solar lights if the cost and benefits of these lights prove to be a good solution.	6/30/2025	6/30/2026
2	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	19	Consider sustainable options like lights generated by small solar panels or other environmentally conscious methods, as stated earlier.	6/30/2025	6/30/2026
3	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	20	Monitor the effectiveness of the Bus Lane Enforcement (BLE) program in keeping Metro bus lanes clear from parked vehicles across the system to improve transit safety and reliability.	6/30/2027	
4	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	30	Obtain updates on the Figueroa Corridor Human Trafficking Initiative and review any recommendations.	Pending Review	
5	Chief People Office	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	1	When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.	3/31/2026	9/30/2026
6	Chief People Office / Vendor/Contract Management	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	4	Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.	3/31/2026	9/30/2026
7	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	13	Consider installing clear signage stating that the emergency call box is for emergency use only, and misuse is subject to penalties.	9/30/2025	4/30/2026
8	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	16	Once the prototypes of the Call Point Blue Light Project are installed, evaluate their effectiveness and conduct a comprehensive cost-benefit analysis based on the knowledge gained from the Call Point Blue Light Project..	6/30/2026	
9	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	17	Conduct a comprehensive evaluation of the existing camera infrastructure to identify performance gaps and limitations.	12/31/2026	
10	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	18	Ensure any new system being considered meets Metro's needs as an upgrade to high resolution, reliable camera systems with enhanced capabilities such as pan, tilt, and zoom (PTZ) functionality for improved coverage and flexibility, and will replace obsolete call boxes and legacy cameras with a unified system that offers superior image quality and remote monitoring capabilities.	12/31/2027	
11	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	19	Consider integrating Artificial Intelligence and automation in any future camera systems deployed in Metro Rail Stations.	12/31/2028	

Appendix D

Open OIG Audit Recommendations as of March 31, 2026						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
12	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	21	Expand surveillance coverage by installing functional cameras in previously unmonitored areas, such as the Willow Station patron and employee parking lot.	12/31/2028	
13	Strategic Financial Management	26-AUD-03 - Statutorily Mandated Audit of Miscellaneous Expenses	1	Statements of Work or Statements of Service should be strengthened to include language requiring contractor compliance with Metro Business Travel Guidelines (GEN 65).	2/28/2026	5/31/2026
14	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	4	We recommend that Metro collaborate with LASD to review Fiscal Year 2024 invoices to ensure that all calculations align with the authorized service framework, particularly the variance between the target minutes used in the calculation of the credit amount and the purchased minutes approved on Form SH-AD 575. Also, Metro's SSLE Department should obtain an updated Deployment Plan annually from LASD that reflects the same number of purchased patrol service minutes approved on Form SH-AD 575. UPDATE: Closed April 2026	4/30/2026	
15	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	5	We recommend that Metro obtain a refund of \$9,870.66 from LASD for the mathematical error found in the February 2024 invoice. We also recommend Metro review the remaining FY 2024 invoices not tested to ensure the credit amounts due to Metro were accurately calculated.	Pending Review	
16	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	6	Metro should enforce the contract requiring LAPD to submit annually the List of Maximum Fully Burdened Hourly Rates and all the required supporting documentation ninety (90) days prior to the start of each fiscal year, and any changes to the CAP rates during the fiscal year. Metro should also review the billing rates for all invoices not reviewed by BCA for FY2024 to determine the extent of overbillings for FY 2024.	Pending Review	
17	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	8	LAPD should contact the CAP office to obtain clarification and any supporting documentation regarding whether the additional union benefits billed directly to the Metro contract were included in the calculation of the fringe benefits rates, and whether the fringe benefits rates should be adjusted if additional union benefits were directly billed to Metro. Metro should also review the explanation and any supporting documents from the CAP office to ensure that the union benefits were not billed twice. Metro should provide written notice on this clarification and any recalculation within 45 days. UPDATE: Closed April 2026	4/30/2026	
18	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	9	LAPD should contact the CAP office to obtain the CAP rates for overtime and submit these documents to Metro within 45 days, together with the List of Maximum Fully Burdened Hourly Rates. Metro should continue to monitor LAPD's billings to ensure the overhead rates billed for overtime were adequately supported. Any revised billing based on that correction should be provided promptly following contact with the CAP office. UPDATE: Closed April 2026	4/30/2026	