

Quarterly Report to Metro Board of Directors

FY 2022 Third Quarter



Metro

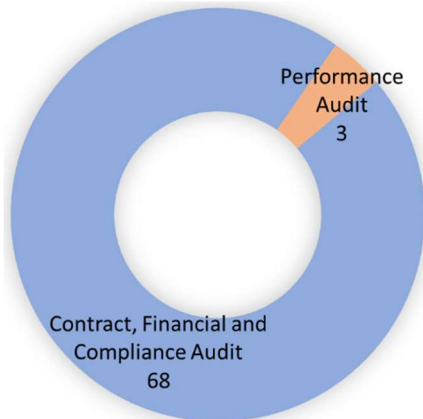
**MANAGEMENT
AUDIT SERVICES**

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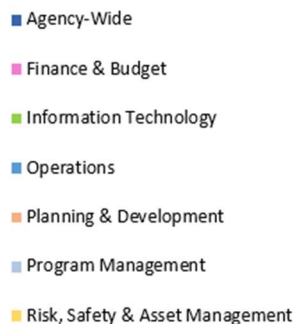
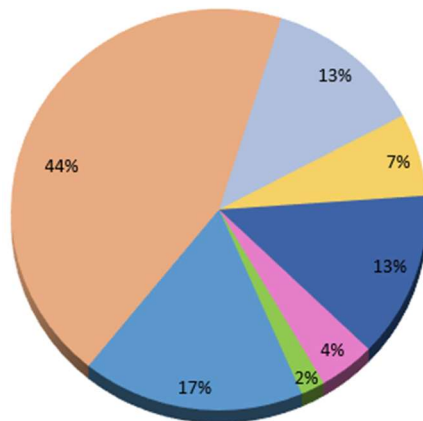
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Executive Summary

In Progress Audits
as of March 31, 2022



Summary of Audit Activity
by Department
Reporting Period
January 1, 2022 – March 31, 2022



Summary of In Progress Audit Activity

Management Audit Services (MAS) has 71 in progress projects as of March 31, 2022, which include 3 performance audits and 68 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 61 open MAS audit recommendations; and 29 open Office of Inspector General (OIG) audit recommendations.

Summary of Third Quarter Completed Audit Activity

MAS completed 146 audit projects and closed 34 open audit recommendations. The projects are comprised of 3 performance audits; 3 contract, financial and compliance audits; and 140 financial and compliance audits of Metro and subrecipients issued by independent 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 6. The financial and compliance audits of Metro and subrecipients issued by the external CPA firms are highlighted on page 7.

A summary of closed and open audit recommendations is included on page 12.

Department Highlights

MAS continues to implement the Quality Assurance Improvement Program, updated the Audit Charter, and completed a successful external quality assurance review. A summary of department highlights is included on page 10.

Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards in addition to other types of projects performed by the Performance Audit team to support Metro. The other types of projects may include independent reviews, analysis, or assessments of select areas. The goal of non-audit projects is to provide Metro with other services that help support decision making and promote organizational effectiveness.

Agreed Upon Procedures for Metro-Owned RINs

MAS contracted with Talson Solutions, LLC to report on agreed - upon procedures for Metro - owned renewable identification numbers (RINs). The objective was to assist Metro's Environmental Compliance and Sustainability department by preparing attest reports following the procedures detailed in the Electronic Code of Federal Regulations to verify that Metro's Environmental Protection Agency (EPA) reporting of RINs for renewable energy credits are complete and accurate for calendar year 2020.

The auditors noted that one quarterly EPA report had not been filed timely, and retirement of expired RINs had not been recorded in the EPA system. Metro management concurred and outlined corrective actions.

Business Interruption Fund (BIF) Pilot Program

MAS contracted with BCA Watson Rice to conduct an audit of the Pilot Business Interruption Fund and Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with the Los Angeles County Metropolitan Transportation Authority's (Metro) Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures. The objective of this audit was to determine PCR's compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures for the year ended June 30, 2021.

The auditors found that PCR complied, in all material respects, with Metro's Business Interruption Fund Administrative Guidelines and Fund Disbursement Procedures.

Performance Audit of Information Security Awareness

The objectives of this audit was to identify potential improvement opportunities relating to user information security awareness with a focus on:

- Information Security training oversight,
- Information Security's efforts and practices, and
- System user departments' efforts and practices.

MAS found that Metro's Information Technology Services (ITS) does provide Metro employees with policies, standards, training, and agencywide emails to support user information security awareness.

However, there is a need for Metro to strengthen oversight for information security awareness training. Additionally, ITS management should establish a guideline that guides decisions on who should receive information security awareness training and the type of training methods to be used. MAS identified two findings and two related matters as part of the audit, including eighteen (18) recommendations. Management concurred with most of the recommendations.

Contract, Financial & Compliance Audits

MAS staff completed 3 independent auditor's report on agreed-upon procedures for the following projects:

Project	Reviewed Amount	Questioned / Reprogrammed Amount
City of Redondo Beach – Pacific Coast Highway at Palos Verdes Boulevard Intersection Improvements Project	\$351,493	\$45,415
New Flyer of America, Inc. – U.S. Employment Program Compliance	N/A – Compliance	N/A – Compliance
City of Burbank – SR-134 Corridor Arterial Signal Improvements Project	\$2,988,167	\$172,854
Total Amount	\$3,339,660	\$218,269

Details on contract, financial and compliance audits completed during FY 2022 third quarter are included in Appendix B.

Financial and Compliance Audits of Metro

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

Basic Financial Statements and Component Units Audits – Issued Various Dates

MAS contracted with Crowe, LLP to conduct the basic financial statements and component unit audits for the year ended June 30, 2021. The resulting reports include:

- Annual Comprehensive Financial Report (ACFR);
- Single Audit for the Federal Funds;
- Federal Funding Allocation Data for NTD as a Transportation Operating Agency;
- Transportation Development Act (TDA) Operations Agency – 50% Expenditure Limitation Schedule;
- TDA Schedule of Revenue, Expenditure and Changes in Fund Balances;
- State Transit Assistance (STA) Special Revenue Fund Financial Statements;
- Service Authority for Freeway Emergencies (SAFE) Financial Statements; and
- Low Carbon Transit Operations Program (LCTOP) Compliance Audit.

The independent auditor issued unmodified opinions on all audit reports for FY21, which indicates that all financial statements for FY21 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified two findings in the Single Audit Report related to timing issues in accordance with generally accepted accounting principles. Although Metro management agreed with the recommendations, management believes that Metro's presentation of the financial statements was appropriate as the statements followed the Current Financial Resources Measurement Focus and are transparent to the taxpayers.

Consolidated Audits – Issued Various Dates

MAS contracted with two firms, Simpson & Simpson, CPAs and Vasquez & Company, to conduct the financial and compliance audits of the following programs for the year ended June 30, 2021:

- 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
 - Support for Homeless Re-Entry (SHORE) Program
 - Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT

Local Return

Proposition A and C

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, 2021.

The auditors found 29 instances of non-compliance for Proposition A and C, consisting of 5 minor findings related to untimely form submittals. Fourteen (14) findings with questioned costs totaling \$1.3 million for Proposition A and \$1.4 million thousand for Proposition C represent less than 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, 2021.

The auditors found 10 instances of non-compliance for Measure R, consisting of 2 minor findings related to untimely form submittals. Seven (7) findings with questioned costs totaling \$129 thousand for Measure R represent approximately less than 1% 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, 2021.

The auditors found 9 instances of non-compliance for Measure M, consisting of 2 minor findings related to untimely form submittals. Six (6) findings with questioned costs totaling \$1.1 million for Measure M represent less than 1% 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 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; ten (10) findings for the LIFE program and eight (8) findings for the TDA Article 3 program. Metro Program Managers are working with the funds 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.

Department Highlights

Quality Assurance Improvement Program

During FY 2022 third quarter, MAS continued its efforts in the Quality Assurance Improvement Program (QAIP). Following is a summary of the various QAIP activities to support improved performance, quality, and value-added internal audit services:

- **Completed Activities**
 - Performed a comprehensive review and update of MAS' Audit Charter.
 - Completed External Quality Assurance Review (Peer Review) for FY19-21 to assess MAS' internal quality control system to determine conformance with the Institute of Internal Auditor (IIA) International Standards for the Professional Practice of Internal Auditing and Comptroller General of the United States Government Auditing Standards.
 - Performed comprehensive review and update of audit libraries (Consulting and Contract, Financial & Compliance) and procedural guidelines in accordance with auditing standards and best practices.
- **In-progress Activities**
 - Complete comprehensive review and update of MAS Strategic Plan.
- **Upcoming Activities**
 - Initiate efforts to determine MAS' maturity model as a business practice, industry standard, and continuous improvement tactic.

Audit Charter

Auditing standards require that MAS review its internal audit charter periodically, present it to executive management and obtain Board approval. The internal audit charter is a formal document that defines MAS' purpose, authority, independence, and responsibility.

The Audit Charter was last approved by the Board in October 2018. The Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the IIA were revised in 2018 and 2017 respectively. The Board approved Charter was compared to the updated standards and is in compliance with the new requirements. Revisions to the charter were made based on MAS' review and recommendations from the Internal Quality Self-Assessment. The Audit Charter is included in Attachment B.

External Quality Assurance Review (Peer Review)

The Association of Local Government Auditors (ALGA) conducted a peer review of MAS' compliance with Institute of Internal Auditors (Red Book) and with Comptroller General of the United States (Yellow book) standards and practices for the three-year period ending June 30, 2021. The peer review team, comprised of highly qualified audit professionals, certified that they are free from personal, external, and organizational impairments to independence. They evaluated MAS' quality control system, audit and consulting engagements process, staff qualifications, development, and training, as well as the audit follow-up process.

The peer review team concluded that MAS fully complies with Red Book and Yellow book standards and practices. Only a handful of local government audit organizations across the country have successfully completed a dual standards peer review. In addition, the team issued a report without management letter comments. The report is included in Appendix E.

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of March 31, 2022.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Open Past Due
Communications	2			
Human Capital & Development	3			
Information Technology Services		10		
Operations	1		22	4
Program Management			10	2
Risk, Safety & Asset Management			3	
Systems Security and Law Enforcement			9	
Vendor/Contract Management			1	
Total	6	10	45	6

OIG Audit Recommendations				
Executive Area	Closed	New	Currently Open	Open Past Due
Congestion Reduction			1	
Human Capital & Development	28			
Operations			6	
Systems Security and Law Enforcement			22	
Total	28		29	

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

Appendix A

Performance Audit - In Progress Audits as of March 31, 2022				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Planning & Development	21-PLN-P01 Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool.	5/2022
2	Risk, Safety & Asset Management	21-RSK-P03 Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	4/2022
3	Planning & Development	21-PLN-P02 Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	4/2022

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of March 31, 2022				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	20-HWY-A08 - Closeout	City of Redondo Beach	1/2022
2	Operations	21-OPS-A01 - Agreed-Upon Procedures	New Flyer of America, Inc.	2/2022
3	Planning & Development	20-HWY-A06 - Closeout	City of Burbank	3/2022

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Systems Security and Law Enforcement	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1a	We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., Standard Operating Procedures [SOPs]), include the essential content necessary to support the agency-wide program. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM.	6/30/2020	6/30/2022
2	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	3	We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM.	7/31/2020	6/30/2022
3	Program Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations. Update: Metro continues to negotiate Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements.	3/31/2020	6/30/2022
4	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	1	We recommend that Emergency Management should coordinate with Payroll to facilitate training and add the additional details to Finance (Payroll)'s COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance.	2/28/2021	7/29/2022
5	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	2	We recommend that Emergency Management should coordinate with Payroll to create an SOP template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors. Advance team references should state "provided by ITS". Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance.	7/31/2020	7/29/2022

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
6	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with Payroll to review and assess the COOP and SOPs annually and verify that any resulting updates are implemented. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance.	7/31/2020	7/29/2022
7	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with Payroll to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance.	7/31/2020	7/29/2022
8	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	8 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of April 2022, 6 of 12 recommendations were closed.	On-going	
9	Operations	19-OPS-P02 Performance Audit of the SCADA Security Controls	7 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of September 2021, 6 of 13 recommendations were closed.	On-going	
10	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	2	We recommend that the Chief Risk, Safety & Asset Management Officer raise awareness of the Field Observation and Feedback (FOF) program. Update: Closed as of April 2022.	3/31/2020	12/31/2021
11	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	3	We recommend that the Chief Risk, Safety & Asset Management Officer develop additional input controls in the Transit Safe System, by designating required FOF form fields as mandatory, including Supervisors sign-off to review for accuracy of information, to prevent the close out of FOF records without completion of all required fields and to ensure quality of information is maintained. Update: TransitSafe's replacement software is in the process of being configured and implemented and will include FOF reporting functionality. Due to the pandemic, vendor staffing changes and historical data transition issues, the implementation has been delayed.	7/31/2020	3/31/2022
12	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	4	We recommend that the Chief Risk, Safety & Asset Management Officer incorporate recommendation #3, above, in the upcoming replacement system of Transit Safe.	12/31/2021	

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	1	We recommend that Emergency Management collaborate with SS&LE to establish at least three new locations to accommodate emergency back-up SS&LE command centers. As a suggestion, not more than one facility should be close to Gateway Plaza. The other two should be far enough away from Gateway and from each other that there is little risk that a wide area emergency could affect all three locations. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.	7/30/2020	7/29/2022
14	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with SS&LE to facilitate training and add the additional details to the SS&LE COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.	7/30/2021	7/29/2022
15	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with SS&LE to create a Standard Operating Procedures template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors; and reference and attach all COOP-related SOPs as Appendices to the COOP. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.	7/30/2020	7/29/2022
16	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	7	We recommend that Emergency Management should coordinate with SS&LE to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update (See COOP Appendix M). Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.	7/31/2021	7/29/2022
17	Operations	20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	1	MAS recommends that Contract Services management establish a timeline and finalize the Contract Monitoring Plan.	7/30/2022	

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Operations	20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	2	MAS recommends that Contract Services management develop formal written policies and procedures that include a) a requirement that decisions requiring executive approval be documented and b) a requirement that all modifications of contractual terms be documented and executed by the Contract Administrator.	12/31/2021	
19	Operations	20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	3	MAS recommends that Contract Services management formulate and establish a formal training program to support skills development in the monitoring of contractor's performance.	12/31/2021	
20	Operations	20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	4	MAS recommends that Contract Services management continue to work with appropriate stakeholders to resolve the fareboxes issue and establish a timeline by when this will be completed. Once fareboxes are operational, the reconciliation process should be fully restored to include the triggering of a revenue compliance inspection for variances exceeding the threshold by above or below 2%. Update: The Fareless System Initiative has delayed the resolution of the fareboxes issue.	4/30/2021	3/31/2022
21	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	1	Bus and Rail Transportation management should implement periodic training or retraining for all Transit Operations Supervisors (TOS), Rail Transit Operations Supervisors (RTOS) and first line transportation management concerning the calculation of overtime eligible hours and the proper use of payroll codes. Update: Training content is nearing completion; work on delivery media is in progress.	12/31/2021	4/30/2022
22	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	3	Bus Transportation management should provide training to Bus Transportation managers, scheduling staff and TOS on these exceptions to enable proper scheduling and approvals of actual time incurred. Update: Training will be provided in the month following issuance of the new policy.	12/31/2021	4/30/2022
23	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	4	Bus and Rail Transportation management should enforce retention of required overtime (OT) related documents for all instances of OT worked, including partial and split shifts. Update: An on-line overtime request tool to replace paper request forms is now under development, which will permit storage, retention, retrieval and reporting of all overtime requests across the system at any time.	9/30/2021	4/30/2022

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
24	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	5	Bus and Rail Transportation management should train and periodically remind all line management, TOS and RTOS of overtime documentation and retention requirements. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2022
25	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	6	Bus and Rail Transportation management should require employees to file copies of system overtime request forms for other divisions at their home division. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2022
26	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	7	Bus and Rail Transportation management should require employees to bring supporting paperwork back to their home division each time they work at another division. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2022
27	Operations	18-AGW-P01-B Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	8	Bus and Rail Transportation management should ensure copies of documentation supporting overtime are retained as required at both divisions when employees transfer permanently from one division to another. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	4/30/2022
28	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	1	Review and verify that terms and conditions of the Contract are understood, including standards, regulations, guidelines, policies, and procedures. KKCS/Triunity JV should comply with all applicable Metro policies and procedures per the Contract.	11/30/2021	
29	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	2	Begin tracking and monitoring vehicle use and maintenance, as required by the Contract.	11/30/2021	
30	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	3	KKCS/Triunity JV should document verification of qualifications and experience to support job titles billed to the Contract; and Metro should, by contract modification, require the Contractor to perform and document background, resume, and reference checks for all new consultants proposed to Metro.	12/31/2021	
31	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	1	Metro management should re-evaluate any need for 24-hour non-revenue passenger vehicles (NRVs) and establish a formal requirement for written approval prior to assignment of NRVs to Metro employees.	2/28/2022	

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
32	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	2	Metro should lease required project vehicles directly through Metro's procurement processes, and only include NRVs in professional services and/or consulting contracts upon conducting a needs assessment and cost-benefit analysis.	2/28/2022	
33	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	3	If Metro continues to allow employees to operate contractor owned/leased vehicles, Metro policies and procedures should be developed to guide usage by employees.	2/28/2022	
34	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	4	Metro management should provide relevant staff with compliance training for the Contract and related policies.	2/28/2022	
35	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	5a	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Assess whether 24-hour use of an NRV is necessary, document the justification and obtain approval for use in writing.	2/28/2022	
36	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	5b	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine how best to resolve and enforce the commuter mileage (fringe benefit tax) issue retroactively and ensure the required forms are completed and filed, including applicable penalties and interest for Metro and its employees to be in compliance. Any required forms that have not been submitted should be submitted, including 24-Hour Assigned Vehicle & Overnight Use Commuter Mileage Forms, if necessary and amended W-2s.	2/28/2022	
37	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	5c	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine whether the monthly parking, that should have been paid by the six (6) Metro employees, that was paid through the Contract should be repaid by the employees to Metro.	2/28/2022	
38	Program Management	22-CON-P02 Performance Audit of Program Management Support Services	5d	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Ensure Metro staff involved and injured in the vehicle incident as well as the Program Management Department complete all required forms to properly report the accident to the appropriate Metro department(s).	12/31/2021	

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
39	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	1	We recommend the Deputy Chief Information Technology Officer require that Information Security management specify the reminder notification requirements (e.g., due date, timing, and frequency of training reminders) via the Metro LMS, when Talent Development management enables the automated notification feature, and establish a formal guideline to escalate reporting for non-compliance with training requirements.	8/30/2022	
40	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	2	We recommend the Deputy Chief Information Technology Officer require Information Security management to: a) Determine whether there is a need for information security awareness training to cover necessary policy requirements related to information security; and b) Incorporate any near-term policy updates related to information security in the information security awareness training material.	12/31/2023	
41	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	3	We recommend the Deputy Chief Information Technology Officer require acknowledgement from system users of having received IT policies and standards that are critical to information security and/or evidence of completion of training(s) prior to granting access to Metro's network and system.	12/31/2022	
42	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	4	We recommend the Deputy Chief Information Technology Officer formally define, document, and communicate the roles and responsibilities related to oversight of mandatory and required trainings, including formalizing the definition of required training.	8/30/2022	
43	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	5	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with the LMS for resolving the current outstanding technical issues.	8/30/2022	
44	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	6	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with Human Capital & Development management to enable the automated notification feature.	8/30/2022	
45	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	7	We recommend that the Deputy Chief Information Technology Officer require Information Security management to establish a formal guideline that guides decisions on who should receive information security awareness training and the type of such training method. This guideline should consider the access levels of users, the cost-benefit associated with training different groups of users, and the risks associated with not providing training to particular users. Training and its frequency may be customized and tailored to provide the education and information applicable and necessary to the group of participants.	6/30/2023	

Appendix C

Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
46	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	8	We recommend that the Deputy Chief Information Technology Officer require Information Security management to consult with Metro County Counsel to establish a minimum requirement and/or expectation for consultants related to information security; a) Existing consultants, b) Future consultants.	9/30/2022	
47	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	10	We recommend the Talent Development management formally document the roles and responsibilities of i) Talent Development, and of ii) sponsoring departments when a required training course is developed. This includes, for example, identifying who will be taking the training, who will enroll participants, etc.	9/30/2022	
48	Information Technology Services	20-ITS-P03 Performance Audit of Information Security Awareness	11	We recommend the Talent Development management work with the LMS provider to support the training needs for consultants as necessary.	9/30/2022	

Appendix D

OIG Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	6 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. Update: As of April 2022, 115 of 117 recommendations were closed.	Pending	
2	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.	10/1/2020	7/1/2022
3	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	2	SSLE should ensure that future contracts include a contract budget that specifies the amount of funds budgeted for each contract year and develop procedures to help ensure that the annual budgets are adhered to.	Pending	
4	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	3	SSLE should in future contracts, to more effectively control and track the use of contract funds, allocate within the budget a separate reserve amount to be used for special events and enhanced deployments.	Pending	
5	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	4	SSLE should for future contracts, consider the impact that the use of full-time contracted personnel will have on the use of funds over the life of the contract. In addition, specify within the contract the job classifications, and number of positions within each classification that can be charged to the Metro contract on a full-time basis.	Pending	
6	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	5	SSLE should execute a contract modification if it is determined that LBPD sworn personnel will be assigned to the contract on a full-time basis.	12/31/2021	
7	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	8	SSLE should review all LAPD invoices for FY20 to determine if there are other incidents where the personnel hourly billing rate exceeds the approved maximum fully burdened hourly rate for the job classification.	12/31/2021	

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

Appendix D

OIG Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	9	SSLE should request a refund of \$3,170.52 and any additional overbillings identified from LAPD.	12/31/2021	
9	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	10	SSLE should for future contracts, work with each contractor to include language in their respective contracts that more thoroughly and clearly define how services will be billed and what costs will be allowed and/or disallowed.	Pending	
10	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	11	SSLE should continue to work on strengthening controls in the area of monitoring and oversight by addressing the deficiencies cited in areas such as Community Policing and Key Performance Indicators.	Pending	
11	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	12	SSLE should complete and finalize the Compliance Audit Procedures Manual.	12/31/2021	
12	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	13	SSLE should review on a periodic basis the qualifications of a sample of officers from each of the law enforcement agencies to determine that contract requirements are being adhered to.	10/31/2021	3/31/2022
13	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	14	SSLE should for required training, consider developing and requiring officers to take refresher courses after working on the contract for two or more years.	12/31/2021	
14	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	15	SSLE should for required reporting, review with input from the law enforcement agencies, the reports and information currently required to determine if changes are necessary. As part of this review determine if different or additional information would be more beneficial.	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	16	SSLE should with input from the three law enforcement agencies, develop baseline performance levels (targets and goals) for key performance indicators.	10/31/2021	1/31/2022
16	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	17	SSLE should develop and update annually a written agency-wide Community Policing Plan.	10/31/2021	1/31/2022
17	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	20	SSLE should include in future contracts the requirement of wearing body cameras by all contracted law enforcement personnel when policing the Metro System.	Pending	
18	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	21	SSLE should establish with the three contracted law enforcement agencies procedures for accessing video footage from body cameras when necessary, including for compliance, auditing, and investigative reasons.	10/31/2021	1/31/2022
19	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	22	LAPD should ensure that each personnel's hourly billing rate does not exceed the approved maximum fully burdened hourly rate for that job classification.	10/31/2021	12/31/2021
20	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	23	LAPD should develop procedures to help ensure that even during departmental wide mobilizations and/or special deployments that only those officers who meet contract requirements are placed on the Metro contract.	10/31/2021	12/31/2021
21	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	24	LAPD should include in the Annual Community Policing Plan a description of the specific training provided to its officers in the area of Problem Oriented Policing.	Pending	

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OIG Open Audit Recommendations as of March 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
22	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	25	LASD should assign personnel to the Metro contract only after they are Post Certified and have met all contract requirements.	10/31/2021	12/31/2021
23	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	26	LASD should include in its annual Community Policing Plan a description of the specific training provided to its officers in the area of Problem Oriented Policing.	10/31/2021	3/31/2022
24	Systems Security and Law Enforcement	22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	28	LBPD should assign only those officers to the contract who have 18 months of law enforcement experience and have met all other contract requirements related to personnel and training.	10/31/2021	3/31/2022



External Quality Control Review

of the
Los Angeles County Metropolitan Transportation Authority

Conducted in accordance with guidelines of the
Association of Local Government Auditors
for the period July 2018 through June 2021



Association of Local Government Auditors

February 28, 2022

Shalonda Baldwin, Executive Officer, Administration
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, California, 90012

Dear Ms. Baldwin,

We have completed a peer review of the Los Angeles County Metropolitan Transportation Authority Management Audit Services (MAS) for the period July 1, 2018 to June 30, 2021. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guides published by the Association of Local Government Auditors.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors, as part of their *Professional Practices Framework* and reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States, as well as applicable legal and regulatory requirements. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations.

Based on the results of our review, it is our opinion that during the period July 2018 through June 2021 the MAS internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with *the Standards* for assurance engagements and compliance with *Government Auditing Standards*, resulting in a rating of pass.

We have prepared a separate letter mentioning a few areas where your office excels.

Neha sharma

Neha Sharma, CIA, CPA, CISA
City of Austin

Theresa Watson, CIA, CGAP
City of Houston



Association of Local Government Auditors

February 28, 2022

Shalonda Baldwin, Executive Officer, Administration
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, California, 90012

Dear Ms. Baldwin,

We have completed an ALGA Peer Review of the Los Angeles County Metropolitan Transportation Authority for the period July 2018 through June 2021 and issued our Report thereon dated February 28, 2022. We are issuing this companion letter to offer certain observations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels.

- **Internal Quality Review Process**
 - Your office conducts a quality assurance, which is performed by a third party. This process provides an opportunity to verify the level of compliance to auditing standards and identify corrective actions necessary to improve operations.
 - Management Audit Services (MAS) has committed resources to quality control. The extensive independent review of each engagement ensures that audit reports are produced with sufficient and appropriate evidence.
- **Staff Qualifications and Development**
 - MAS contain highly qualified professionals holding a variety of certifications
 - MAS is committed to staff development through providing continuous professional training and development.
- **Audit Working Papers**
 - The documentation of work performed in Teammate was thorough and well organized for the engagements reviewed by us.
- **Independence and Objectivity**
 - The office has established a culture and expectation of independence and objectivity within the organization.

We extend our thanks to you and your staff for the cooperation and assistance extended to us during our review.

Sincerely,

Neha sharma

Neha Sharma, CPA, CIA, CISA
City of Austin

Theresa Watson, CIA, CGAP
City of Houston