

Quarterly Report to Metro Board of Directors

FY 2026 Second Quarter



MANAGEMENT
AUDIT SERVICES

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Executive Summary

Performance Audits

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Audit Follow-Up and Resolution



81 AUDIT PROJECTS IN PROGRESS



6 COMPLETED CONTRACT, FINANCIAL, AND COMPLIANCE AUDITS



2 COMPLETED PERFORMANCE AUDITS



36 OPEN AUDIT RECOMMENDATIONS

Summary of Audit Activity by Department Reporting Period October 1, 2025 – December 31, 2025



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 81 in-progress projects as of December 31, 2025, which include 12 performance projects and 69 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 20 open MAS audit recommendations and 16 open for the Office of the Inspector General (OIG).

Summary of Second Quarter Completed Audit Activity

MAS completed 15 audit projects. The projects are comprised of two (2) performance audits, 6 contract, financial and compliance audits, and 7 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 7.

Executive
Summary

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

Performance Audits

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. Both audits described below were initiated at the request of Metro's Chief Executive Officer.

Employee Health Care Benefits

The objective of this audit was to verify all active eligible recipients (excluding represented employees and retirees) receiving Metro's health and dental coverages were receiving benefits from their selected providers and that elected coverage corresponded with payroll deductions. The review period for the data covered January 2024 to June 2024.

For the review period, discrepancies in dental and medical coverage records were identified for 82 employees, from a population of 3,207 employees (non-contract and board members). These discrepancies included employee payroll deductions not matching amounts billed by the carrier, and instances where employees were not reflected in monthly carrier billings. In addition, of 3,676 medical and dental elections reviewed, 43 were incorrectly based on prior-year rates. All of these discrepancies could have affected the health benefit coverage of the above employees. MAS provided management with 14 recommendations and will follow up to ensure implementation.

Employee Pension Benefits

The objective of this audit was to verify the accuracy of pension payroll deductions and contributions for all active PEPRAs eligible employees. Pension data reviewed covered the period from January 1, 2023, through August 30, 2024.

For calendar year 2024, inaccuracies were identified in employee pension contribution payroll deductions affecting 119 (3% of 3,835) employees. Forty-seven (47) of these errors resulted from a miscalculation during the annual reset process, where employee pension contribution amounts for the year are zeroed out at the start of the year. The miscalculation resulted in the premature termination of employee pension contribution payroll deductions in 2024 for employees covered under PEPRAs. Management had discovered this error, and MAS confirmed the existence of this condition and identified its cause. The remaining 72 errors stemmed from coding issues, incorrect job status designations, and missed deductions on manual checks. MAS provided management with 15 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 6 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Burbank - Victory Boulevard Connectivity Gap Closure and Transit Enhancements Project	\$3,000,000	\$0
City of Culver City - Culver Boulevard Realignment Project	\$8,926,750	\$0
City of Pico Rivera - I-605 Hot Spots Arterial Intersection Project	\$13,226,468	\$252,532
City of South Pasadena - ATMS, Central TCS and FOIC for Fair Oaks Av Project	\$701,494	\$0
City of Carson - Broadway Intersection Improvements	\$1,420,479	\$299,589
City of Gardena - Gardena Municipal Bus Lines Line 2 TSP Project	\$967,149	\$0
Total Amount	\$28,242,340	\$552,121

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

Executive
Summary

Performance
Audits

Contract, 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 an external CPA firm:

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, 2025. The resulting reports include:

- Annual Comprehensive Financial Report (ACFR);
- Single Audit for the Federal Funds;
- 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 FY25, which indicates that all financial statements were fairly presented, and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.



The graphs below summarize the open audit recommendations as of December 31, 2025:

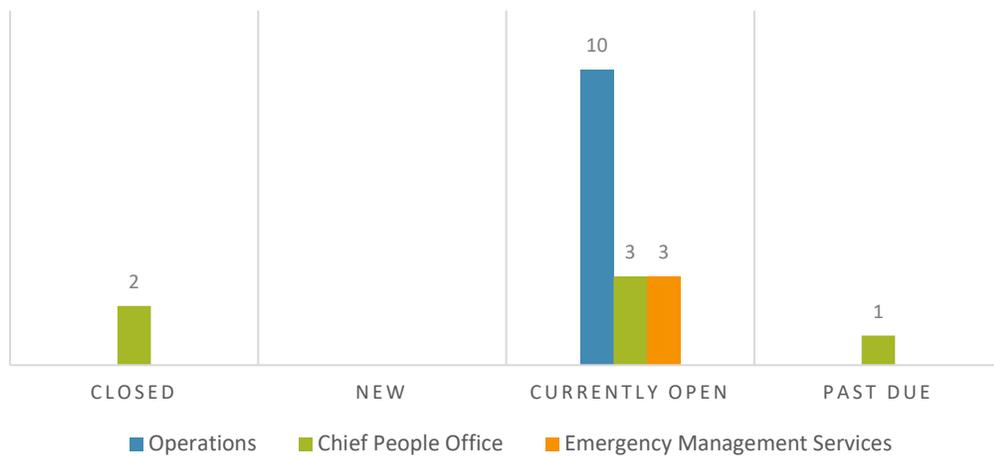
MAS AND EXTERNAL AUDIT RECOMMENDATIONS



20 open recommendations

19 closed recommendations

OIG AUDIT RECOMMENDATIONS



16 open OIG recommendations

2 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 December 31, 2025				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Program Management / Operations	25-CON-P01 - Gold Line Extension Phase 2B	Evaluate Metro's oversight of the Metro Gold Line Foothill Extension Construction Authority's project management of Gold Line Extension Phase 2B Project, and Metro Operations' project management over final year processes leading to revenue service.	2/2026
2	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.	3/2026
3	Deputy Chief Executive Officer	25-DEO-P01 - Small Business Enterprise (SBE) Certification Processes	Evaluate if DEOD's SBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies. <i>Audit project request by Metro's Chief Executive Officer.</i>	3/2026
4	Planning and Development	25-PLN-P01 - Project Grant Funding	Assess whether Metro is adequately allocating its resources to maximize funding identified and received.	3/2026
5	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.	4/2026
6	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.	4/2026
7	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.	5/2026
8	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).	6/2026
9	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
10	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
11	Operations	26-OPS-P02 - Wayside Track Maintenance	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	8/2026
12	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.	8/2026

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2025				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning and Development	24-PLN-A20 - Grant	City of Burbank	10/2025
2	Planning and Development	25-PLN-A16 - Grant	City of Culver City	11/2025
3	Planning and Development	25-HWY-A11 - Grant	City of Pico Rivera	11/2025
4	Planning and Development	25-PLN-A27 - Grant	City of South Pasadena	12/2025
5	Planning and Development	25-PLN-A26 - Grant	City of Carson	12/2025
6	Planning and Development	25-PLN-A30 - Grant	City of Gardena	12/2025

Appendix C

Open Audit Recommendations as of December 31, 2025						
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	
3-6	Strategical Financial Management	23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers	4 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
7	Department of Public Safety	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	2	Emergency Management should collaborate with Bus Operations for annual Bus COOP training and testing.	12/31/2025 ¹	
8	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	6/30/2026
9	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	6/30/2026
10	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 ¹	
11	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1g	If needed, coordinate with Vendor Contract Management to incorporate language into the health service contracts requiring all health carriers to provide digital invoicing that includes necessary information to facilitate reconciliations, with content and in a format acceptable to Metro management.	12/31/2025 ¹	
12	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3c	The Chief People Office should ensure Pension and Benefits determines if medical and dental payments should be processed using Purchase Orders.	12/31/2025 ¹	
13	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 ¹	
14	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	3f	The Chief People Office should ensure Pension and Benefits creates a Standard Operating Procedure (SOP) for processing and reconciling all carrier billings to Metro's internal documentation.	12/31/2025 ¹	
15	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	1a	The Chief People Officer and Chief Financial Officer should ensure ITS Administration and the Pension and Benefits and Payroll Departments validate the beginning-of-the-year pension contribution script before introducing it to production.	12/31/2025 ¹	
16	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	1b	The Chief People Officer and Chief Financial Officer should ensure that the CalPERS beginning-of-year adjustment performed by ITS Administration, including the reset of employee pension contribution payroll deduction balances, is reviewed, confirmed, and approved by both Accounting (Payroll) and Pension and Benefits management.	1/31/2026	
17	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	6/30/2026

¹ Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

Appendix C

Open Audit Recommendations as of December 31, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	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	
19	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 ¹	
20	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 ¹	

¹ Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

Appendix D

Open OIG Audit Recommendations as of December 31, 2025						
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	12/31/2025 ¹
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	12/31/2025 ¹
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.	Pending Review	
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	
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	
7	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	2b	Increase surveillance, or use other methods, to deter vandalism.	2/28/2026	
8	Emergency Management Services	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	3	Conduct a staffing assessment to ensure sufficient personnel are available to effectively respond to and prevent vandalism and graffiti-related incidents and repairs.	2/28/2026	
9	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	4	Explore external/outside noise-canceling technology and techniques at loud stations.	12/31/2025 ¹	
10	Chief People Office	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	12	Coordinate with (Maintenance of Way) Communications Systems to obtain accurate data and generate relevant and useful reports, including the number and type or purpose of calls received from call boxes.	11/30/2025	
11	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
12	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	
13	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	
14	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	

¹ Recognizing that full resolution of recommendations may require additional follow-up and coordination, recommendations not addressed within 90 days of the due date are formally reported as late.

Appendix D

Open OIG Audit Recommendations as of December 31, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	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	
16	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	