

Quarterly Report to Metro Board of Directors

FY 2025 Second Quarter



Metro

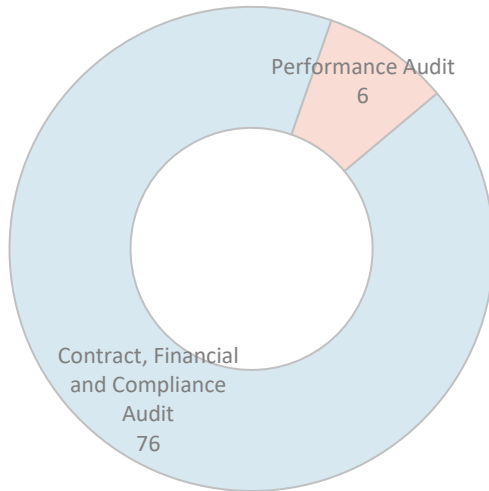
**MANAGEMENT
AUDIT SERVICES**

Table of Contents

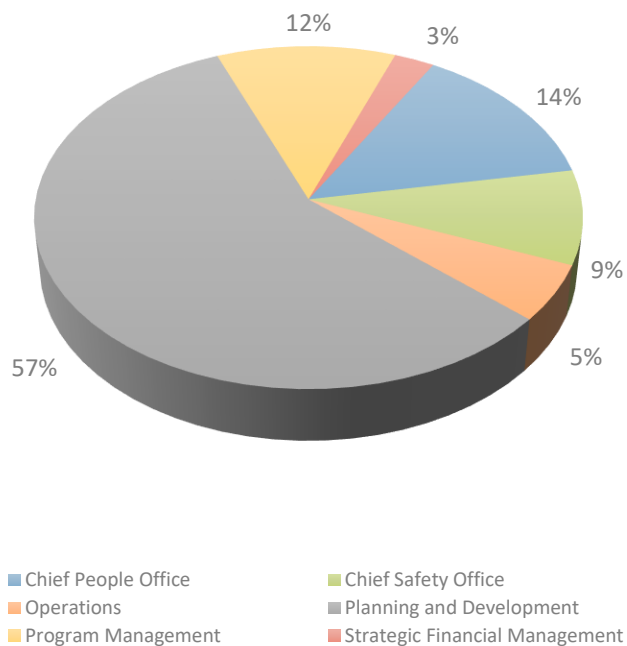
Executive Summary	3
<i>Summary of In-Progress Audit Activity</i>	3
<i>Summary of Completed Audit Activity</i>	3
Performance Audits	4
<i>Third-Party Risk Management – Outsourced Service Providers</i>	4
<i>Bus Operations’ Continuity of Operations Plan</i>	4
Contract, Financial & Compliance Audits	5
Financial and Compliance Audits of Metro.....	6
Audit Follow-Up and Resolution	7
 Summary Tables	
Appendix A – Performance Audits in Progress	8
Appendix B – Contract, Financial and Compliance Audits Completed.....	9
Appendix C – Open Audit Recommendations.....	11

Executive Summary

In Progress Projects
as of December 31, 2024



Summary of Audit Activity by Department
Reporting Period
October 1, 2024 – December 31, 2024



Summary of In-Progress Audit Activity

As of December 31, 2024, Management Audit Services (MAS) had 82 in-progress projects, including 6 performance projects and 76 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 42 open MAS audit recommendations.

Summary of Completed Audit Activity

MAS completed 26 audit projects. The projects are comprised of 2 performance audits, 16 contract, financial and compliance audits, and 8 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 is highlighted on page 6

A summary of the open audit recommendations is included on page 7.

Performance Audits

This section includes performance audits completed in accordance with the International Standards for the Professional Practice of Internal Auditing 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. The goal of non-audit projects is to provide Metro with other services that help support decision-making and promote organizational effectiveness.

Third-Party Risk Management – Outsourced Service Providers

MAS completed the Performance Audit of Third-Party Risk Management - Outsourced Service Providers. The audit's objective was to assess Metro's third-party information security risk management.

MAS noted that the Information Security team is in the early stages of implementing a Vendor Risk Management program and uses National Institute of Standards and Technology (NIST) guidelines as guidance. However, a fully developed policy and standard operating procedures still need to be created for this area and distributed agency wide. Also, training is needed for project managers who interact with contracted service providers handling sensitive or confidential information. Finally, enhancements to the Contract Information Management System are necessary to support Metro's information security risk management efforts. MAS provided management with eight recommendations and will follow up to ensure implementation.

Bus Operations' Continuity of Operations Plan

MAS completed the Performance Audit of Bus Operations' Continuity of Operations Plan (COOP). The audit's objective was to assess the adequacy of Bus Operations' COOP and Standard Operating Procedures (SOPs) for supporting mission essential functions during emergencies.

MAS noted Bus Operations has both a COOP and SOPs in place, but they require enhancements to better support the mission's essential functions during emergencies. For instance, Contracted Bus Services need to be included in the Metro Bus COOP for coordination during major emergencies. Also, the Bus COOP is missing some key information necessary for efficiently continuing the mission essential functions during emergencies, such as contact information for executives with COOP responsibilities. Further, periodic Bus COOP training and updates have not been done since the adoption of the Bus COOP, and Bus divisions did not have designated backup locations. Finally, Metro does not have formal emergency service priority commitments with electric utilities to guarantee continuity and provision of power for buses during power shortages or local outages, including warning before service cuts and priority restoration during extended emergencies as an essential public service. MAS provided management with eight recommendations and will follow up to ensure implementation.

Contract, Financial & Compliance Audits

MAS staff completed 16 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Hawthorne - Hawthorne Blvd Arterial Improvements	\$5,663,932	\$-
City of Carson - Wilmington Ave Interchange	\$39,154,415	\$11,362,000
Beach Cities Health District - Diamond St to Flagler Bike Lane	\$2,069,263	\$-
City of West Hollywood - Complete Streets	\$5,471,702	\$-
City of Burbank - Traffic Responsive Signal System	\$1,575,227	\$-
City of Pasadena - Rose Bowl Access Systems	\$1,597,372	\$63,843
City of Burbank - Midtown Commercial Corridors Improvement	\$1,389,519	\$-
City of Santa Monica - Signal Synchronization Improvements	\$952,999	\$-
City of South Gate - Garfield Ave Median Improvement	\$395,079	\$-
City of Cerritos – Carmenita / South St Intersection Improvement	\$658,960	\$85,563
City of Torrance - Transportation Management System Improvements	\$423,488	\$-
City of Pomona - Bicycle Network for Community Access	\$9,935,260	\$-
City of Lakewood - Del Amo at Lakewood Blvd Improvements	\$5,981,568	\$984,584
City of Inglewood - Century Blvd Mobility Improvement	\$20,568,349	\$-
<i>Reviewed and questioned costs were not identified for the following, as these audits reviewed labor rates for pre-award or indirect cost rates.</i>		
CTI Environmental, Inc.	N/A	N/A
Gruen Associates	N/A	N/A
Total Amount	\$95,837,133	\$12,495,990

Details on contract, financial and compliance audits completed during FY 2025 second quarter are included in Appendix B.

Financial and Compliance Audits of Metro

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

Financial and Compliance Audits – Issued Various Dates

MAS contracted with BCA to conduct audits of the financial statements and compliance for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The resulting reports include:

- Gateway Center Financial Statements;
- Los Angeles Union Station Property Financial Statements;
- PTSC-MTA Risk Management Authority (PRMA) Financial Statements;
- ExpressLanes Fund Financial Statements;
- Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Accounts;
- Propositions A & C Schedules of Revenues and Expenditures;
- Measure R Schedule of Revenues and Expenditures; and
- Measure M Schedule of Revenues and Expenditures.

BCA found that the above financial statements present fairly, in all material respects, for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America. In addition, BCA found that Regional TAP Services Center complied, in all material respects, with the compliance requirements described in the TAP Financial Position Rules that could have a direct and material effect on the TAP Settlement and Clearing Accounts and Metro complied, in all material respects, with the requirements described in the Ordinances that could have a direct and material effect on the Proposition A, Proposition C, Measure R and Measure M Revenues and Expenditures for the fiscal year ended June 30, 2024.

The results of the fund audits will be presented to their respective Independent Taxpayer Oversight Committee.

Audit Follow-Up and Resolution

The tables below summarize the open audit recommendations as of December 31, 2024.

MAS and External Audit Recommendations				
Executive Area	Closed	Currently Open	Added in Q3	Past Due
Chief People Office	1	3		
Chief Safety Office	1	1	5	
Operations		14	3	
Strategic Financial Management		10	6	
Total	2	28	14	

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

Appendix A

Performance Audit - In Progress Projects as of December 31, 2024				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Program Management	*24-CON-P01 - Eastside Access Improvement Project (EAIP)	Assess whether usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.	3/2025
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.	3/2025
3	Chief People Office	*24-PEN-P01 – Employee Pension Benefits	Verify the accuracy of pension payroll deductions and contributions for active eligible employees.	3/2025
4	Chief Safety Office	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	4/2025
5	Chief People Office	*24-BEN-P01 – Employee Health Care Benefits	Verify the accuracy and completeness of the health and dental benefits enrollment and the corresponding payroll deductions for all active eligible recipients, excluding represented employees and retirees, and confirm elected coverages correspond with payroll deductions and benefits received.	4/2025
6	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 the final year processes leading to revenue service.	5/2025

* Audits 1, 3, and 5 listed above were initiated at the request of Metro's Chief Executive Officer.

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	20-HWY-A09 - Agreed-Upon Procedures	City of Hawthorne	10/2024
2	Program Management	22-CON-A04 - Agreed-Upon Procedures	CTI Environmental, Inc.	10/2024
3	Planning & Development	23-PLN-A01 - Agreed-Upon Procedures	City of Carson	11/2024
4	Planning & Development	24-PLN-A25 - Agreed-Upon Procedures	Beach Cities Health District	11/2024
5	Planning & Development	25-PLN-A02 - Agreed-Upon Procedures	City of West Hollywood	11/2024
6	Program Management	23-CON-A01 - Agreed-Upon Procedures	Gruen Associates	11/2024
7	Planning & Development	24-PLN-A07 - Agreed-Upon Procedures	City of Burbank	12/2024
8	Planning & Development	24-PLN-A09 - Agreed-Upon Procedures	City of Pasadena	12/2024
9	Planning & Development	25-PLN-A03 - Agreed-Upon Procedures	City of Burbank	12/2024
10	Planning & Development	25-PLN-A07 - Agreed-Upon Procedures	City of Santa Monica	12/2024
11	Planning & Development	24-HWY-A08 - Agreed-Upon Procedures	City of South Gate	12/2024

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
12	Planning & Development	25-HWY-A02 - Agreed-Upon Procedures	City of Cerritos	12/2024
13	Planning & Development	25-PLN-A11 - Agreed-Upon Procedures	City of Torrance	12/2024
14	Planning & Development	25-PLN-A14 - Agreed-Upon Procedures	City of Pomona	12/2024
15	Planning & Development	24-HWY-A09 - Agreed-Upon Procedures	City of Lakewood	12/2024
16	Planning & Development	24-PLN-A15 - Agreed-Upon Procedures	City of Inglewood	12/2024

Appendix C

Open Audit Recommendations as of December 31, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	16	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately. Update: Closed as of January 2025.	12/31/2024	
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	17	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to clarify and enforce the roles and responsibilities of system owners and data custodians to review and update the access list periodically. Update: Closed as of January 2025.	12/31/2024	
3	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	18	We recommend the Deputy Chief Information Technology Officer periodically remind system owners and data custodians to require system user departments to notify them of any changes in the employment/assignment status.	12/31/2024	
4	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	3	Work with the EAMS implementation team and other functional groups (Accounting, ITS, Operations etc.), who maintain an asset list, to consolidate inventory records in the upcoming EAMS. Update: Closed as of January 2025.	11/30/2022	12/31/2024
5	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	6 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
6	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	1	OCI Management should establish and document a formal process for overseeing training courses that are required under the OCI Training Matrix and delivered by either OCI or the Divisions to ensure compliance with the PTASP.	6/30/2025	
7	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	2	OCI Management should update the OCI Standard Operating Procedures (SOP), Revision 1, January 22, 2020, to ensure alignment with the PTASP OCI Training Matrix and current practices.	6/30/2025	
8	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	3	OCI Management should explore the feasibility of adding the proper naming convention within OTTS when an employee completes training courses for the first, second, and third avoidable accidents within 18 months of the first accident. The naming convention should align with the procedures outlined in the PTASP on Post Accident Training.	6/30/2025	
9	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	4	OCI Management should explore the feasibility of utilizing OTTS or collaborate with Talent Development, to assess the capability of using the Adobe Learning Management System to capture not only employees' training course titles and hours but also as a data repository for all hard copy files associated with an employee's completed training records. This will help ensure that all training files are maintained in a centralized location. Regardless of the chosen approach, OCI Management should pursue an alternative solution, including documenting the process.	6/30/2025	

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

Appendix C

Open Audit Recommendations as of December 31, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	5	To help with archival and retrieval of OCI Matrix training courses, OCI Management should collaborate with the Divisions to develop a standardized method for retaining attendee rosters. This approach should be uniform and adopted across all Bus Divisions.	6/30/2025	
11	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	6	For consistent record keeping across OCI and the Bus Divisions, OCI and Division Management should document their process for the electronic archiving of training records for employees and Goodyear contractor personnel. This should include a training checklist outlining essential documents (e.g. DL260) required for each type of OCI Matrix training course.	6/30/2025	
12	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	7	OCI Management should collaborate with the Divisions to formally communicate the need to comply with the OCI Training Matrix as it relates to recommendations 1-7.	6/30/2025	
13	Operations	22-OPS-P03 - Performance Audit of Operations Central Instruction & Development Training	9	OCI Management should work with Corporate Safety to ensure that the OCI Training Matrix includes current course descriptions, and any updates should be communicated to all staff that have responsibility for compliance with the OCI Training Matrix.	6/30/2025	
14	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	1	Logistic Planners (Planners) should document policies and procedures that include processes, methodologies, key parameters, considerations, and filters used by Logistics staff during the monthly review process to establish reorder points, business impact and other relevant criteria.	6/27/2025	
15	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	3	Require Planners to reexamine inventory items classified as Business Impact C for upgrade consideration to Business Impact to "A" or "B" if inventory items are known to cause revenue vehicles to be downed or out of service. This would accurately reflect their criticality.	6/27/2025	
16	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	4	Collaborate with ITS to make the Business Impact field a mandatory data entry field in the MRO/IO system.	6/27/2025	
17	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	5	Logistics Management should eliminate terminated and retired employees' master key access to facilities by either replacing all locks with electronic key card access or altering locks to prevent older master keys from gaining access to the buildings.	10/31/2024	12/27/2025
18	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	6	Ensure newly issued keys are assigned to appropriate individuals. When an individual no longer needs a key, collect and log the key's return.	10/31/2024	12/27/2025
19	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	7	Remove key card access for terminated and retired employees.	10/31/2024	12/27/2025

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

Appendix C

Open Audit Recommendations as of December 31, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
20	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	8	Work with Building Services and Facilities Maintenance to limit access to all their storerooms to those who require it, revoke access for all others, and confirm that their access has been removed. Logistics should also review the logs in detail on a regular basis to ensure they are up to date.	10/31/2024	12/27/2025
21	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	9	Logistics should document any exceptions to policies and procedures regarding general cycle count timelines, including how the respective area counts are to be performed.	10/31/2024	9/27/2025
22	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	2A	Incorporate into Policies and Procedures requirements for Planners to review and populate all prior missing Business Impact fields.	6/27/2025	
23	Strategical Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	2B	Incorporate into Policies and Procedures requirements for regular review and update to the Business Impact field.	6/27/2025	
24	Strategical Financial Management	23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers	6 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
25	Chief Safety Office	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	1	The Chief Safety Officer should instruct Emergency Management to collaborate with Contracted Bus Services to include Contracted Bus Services in the Bus COOP as a mission essential function and update the Bus COOP and external contractor agreements with any necessary information related to Contracted Bus Service emergency procedures.	4/30/2025	
26	Chief Safety Office	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	
27	Chief Safety Office	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	3	Emergency Management should coordinate with the Bus Operations 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; and reference and attach/link all Bus COOP-related SOPs as appendices to the Bus COOP.	4/30/2025	
28	Operations	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	4	Bus Operations should update the SOP contact details as requested by Emergency Management on a periodic basis, e.g., quarterly or semi-annually; when a revised organization chart is issued with changes to key personnel; or whenever there is a change in executive continuity personnel.	4/30/2025	
29	Operations	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	5	Bus Operations should create a roster of trained personnel and include it in the Bus COOP or reference the SOP.	4/30/2025	

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

Appendix C

Open Audit Recommendations as of December 31, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
30	Chief Safety Office	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	6	Emergency Management should collaborate with Bus Operations to ensure that each Bus division has a designated primary and secondary relocation site for maintenance and/or storage for enough of its buses to maintain service, including a schedule of required equipment, tools, and spares that should be relocated with staff and vehicles.	4/30/2025	
31	Chief Safety Office	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	7	Emergency Management should collaborate with Bus Operations to establish which backup facilities (a primary and secondary location) each employee should report to in an emergency.	4/30/2025	
32	Operations	23-SEC-P01 - Performance Audit of Bus Operations' Continuity of Operations Plan	8	Bus Operations should establish a formal working group to secure agreements with the various utility companies that support Metro Bus Operations to commit these entities to provide Metro with priority for service continuity and restoration in emergency situations, in accordance with Metro's regulatory tier as an essential public service. The working group should include representation from Sustainability, Governmental Relations, Emergency Management, Vendor Contract Management, Project Delivery Third Party Coordination, and County Counsel.	3/31/2025	