

Quarterly Report to Metro Board of Directors

FY 2025 First Quarter



Metro

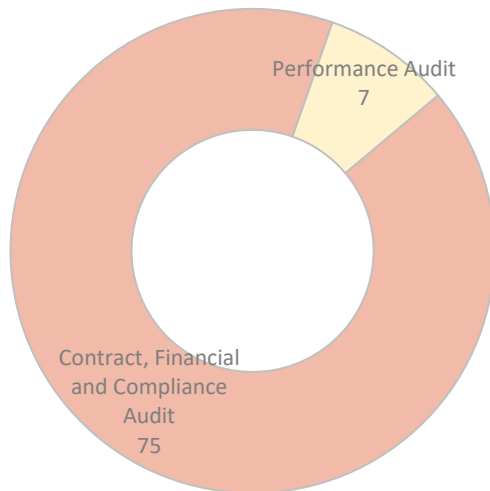
**MANAGEMENT
AUDIT SERVICES**

Table of Contents

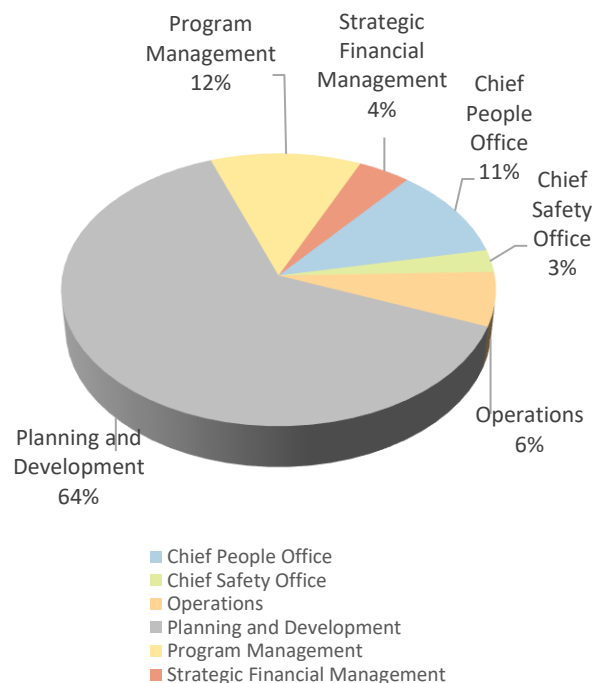
Executive Summary	3
<i>Summary of In-Progress Audit Activity</i>	3
<i>Summary of First Quarter Completed Audit Activity</i>	3
Performance Audits	4
<i>Critical Spare Parts Inventory</i>	4
Contract, Financial & Compliance Audits	5
Other Audits	6
Audit Follow-Up and Resolution	7
Summary Tables	
Appendix A – Performance Audits in Progress	8
Appendix B – Contract, Financial and Compliance Audit Completed.....	9
Appendix C – Open Audit Recommendations.....	11

Executive Summary

In Progress Projects as of September 30, 2024



Summary of Audit Activity by Department Reporting Period July 1, 2024 – September 30, 2024



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 82 in progress projects as of September 30, 2024, which include 7 performance projects and 75 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 29 open MAS audit recommendations.

Summary of First Quarter Completed Audit Activity

MAS completed 17 audit projects. The projects are comprised of one (1) performance audit, 15 contract, financial and compliance audits, and one (1) other audit issued by external firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audit 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.

Critical Spare Parts Inventory

MAS completed a report summarizing the results of the Performance Audit of Critical Spare Parts Inventory. The objective of the audit was to determine if Logistics is managing the critical spare parts inventory in accordance with Metro policies and procedures and to evaluate how Logistics identifies critical components to ensure availability.

MAS found that critical spare parts inventory records appeared complete, and the staff was experienced and knowledgeable. However, MAS noted improvements in parameters used to establish reorder points for critical spare parts, classification of business impact codes used to indicate the criticality of parts impacting revenue vehicles and warehouse physical access oversight. MAS provided management with nine recommendations and will follow up to ensure implementation.

Contract, Financial & Compliance Audits

MAS staff completed 15 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Downey - Paramount Blvd at Firestone Blvd Intersection Improvement	\$3,166,802	\$197,909
City of Malibu - Civic Center Way Improvements	\$5,241,431	\$38,978
City of Burbank - Burbank-Glendale Traffic Coordination	\$1,477,874	\$255,014
City of Bellflower - Downtown Smart Park System and Program Implementation	\$495,892	\$305,520
City of Hermosa Beach - Pacific Coast Highway Improvements Between Anita Street and Artesia Blvd	\$574,734	\$203,754
City of Glendale - Doran Street Traffic Signal Modifications/Installation and Roadway Improvements	\$1,421,542	\$114,186
City of South Gate - I-710 Soundwall	\$8,115,344	\$823,516
City of Bellflower - Lakewood Blvd Arterial Improvement	\$2,407,298	
City of Huntington Park - Pacific Blvd Pedestrian Improvement	\$4,261,004	\$1,063,620
City of Inglewood - Inglewood ITS Phase IV (2 Reports)	\$4,860,930	\$0
County of Los Angeles Department of Public Works - South Bay Forum Traffic Signal Corridors	\$8,468,156	\$0
City of Downey - Woodruff Ave Fiber-Optic Traffic Signal Communications	\$1,127,264	\$0
<i>Reviewed and questioned costs were not identified for the following as these audits reviewed labor rates for pre-award or indirect cost rates and/or Local Employment Program Compliance.</i>		
JCE Structural Engineering Group, Inc.	N/A	N/A
New Flyer of America, Inc.	N/A	N/A
Total Amount	\$41,618,271	\$3,002,497

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

Other Audits

The following highlights other audits completed by the external firms:

Low Carbon Fuel Standard (LCFS) Verification

MAS contracted K-Coe Isom, LLP to provide LCFS verification services for the 2023 Quarterly Fuel Transactions report submitted to the California Air Resource Board (CARB). The objective was to assist Metro's Environmental Compliance and Sustainability Department by determining whether collected data and the prepared LCFS Quarterly Fuel Transactions Report are in conformance with regulatory requirements. The contractor noted that the submitted 2023 Quarterly Fuel Transactions Report was free of material misstatement and in conformance with regulatory requirements.

Audit Follow-Up and Resolution

The tables below summarize the open audit recommendations as of September 30, 2024.

MAS and External Audit Recommendations				
Executive Area	Closed	Currently Open	Added in Q3	Past Due
Chief People Office		3		
Chief Safety Office		2		
Operations		14		
Strategic Financial Management	3		10	
Total	3	19	10	

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

Appendix A

Performance Audit - In Progress Projects as of September 30, 2024				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	Strategic Financial Management \ Chief People Office	23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers)	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.	11/2024
2	Operations	23-SEC-P01 - Bus Operations Continuity of Operations Plan (COOP)	Evaluate the adequacy of Bus Operations' COOP and Standard Operating Procedures to support mission essential functions during emergencies.	11/2024
3	Chief People Office	*24-PEN-P01 – Employee Pension Benefits	Verify the accuracy of pension payroll deductions and contributions for active eligible employees.	11/2024
4	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 employee and retirees.	11/2024
5	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.	12/2024
6	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.	12/2024
7	Chief Safety Office	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	2/2025

* Audits 3, 4 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 September 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	23-HWY-A09 - Agreed-Upon Procedures	City of Downey	7/2024
2	Planning & Development	24-HWY-A06 - Agreed-Upon Procedures	City of Malibu	8/2024
3	Planning & Development	23-PLN-A04 - Agreed-Upon Procedures	City of Burbank	8/2024
4	Planning & Development	24-PLN-A16 - Agreed-Upon Procedures	City of Bellflower	8/2024
5	Planning & Development	24-HWY-A02 - Agreed-Upon Procedures	City of Hermosa Beach	9/2024
6	Planning & Development	24-HWY-A07 - Agreed-Upon Procedures	City of Glendale	9/2024
7	Planning & Development	23-HWY-A10 - Agreed-Upon Procedures	City of South Gate	9/2024
8	Program Management	23-CON-A03 - Agreed-Upon Procedures	JCE Structural Engineering Group, Inc.	9/2024
9	Operations	24-OPS-A03 - Agreed-Upon Procedures	New Flyer of America, Inc.	9/2024
10	Planning & Development	25-HWY-A03 - Agreed-Upon Procedures	City of Bellflower	9/2024
11	Planning & Development	23-PLN-A10 - Agreed-Upon Procedures	City of Huntington Park	9/2024

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2024				
No.	Area	Audit Number & Type	Auditee	Date Completed
12	Planning & Development	24-PLN-A24 - Agreed-Upon Procedures	City of Inglewood	9/2024
13	Planning & Development	24-HWY-A05 - Agreed-Upon Procedures	City of Inglewood	9/2024
14	Planning & Development	23-PLN-A11 - Agreed-Upon Procedures	County of Los Angeles Department of Public Works	9/2024
15	Planning & Development	24-PLN-A22 - Agreed-Upon Procedures	City of Downey	9/2024

Appendix C

Open Audit Recommendations as of September 30, 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.	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.	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 require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
4	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	6 total	The recommendations included in this report address findings in Metro's Operational System.	ongoing	
5	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	
6	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: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
7	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	Periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. b) Continue working with the EAMS implementation team to plan, design, develop and implement a system integration/interface to transfer available asset data from the accounting system to the new EAMS. Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.	11/30/2022	12/31/2024
8	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	
9	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	

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

Appendix C

Open Audit Recommendations as of September 30, 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	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	
11	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	
12	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	
13	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	
14	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	
15	Strategic 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.	6/30/2025	
16	Strategic 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.	6/30/2025	
17	Strategic 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.	6/30/2025	
18	Strategic 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.	6/30/2025	

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

Appendix C

Open Audit Recommendations as of September 30, 2024						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
19	Strategic 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.	6/30/2025	
20	Strategic Financial Management	23-VCM-P03 - Performance Audit of Critical Spare Parts Inventory	5	Logistics 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	
21	Strategic 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	
22	Strategic 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	
23	Strategic 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	
24	Strategic 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	

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