

Quarterly Report to Metro Board of Directors

FY 2026 First Quarter



Metro

**MANAGEMENT
AUDIT SERVICES**

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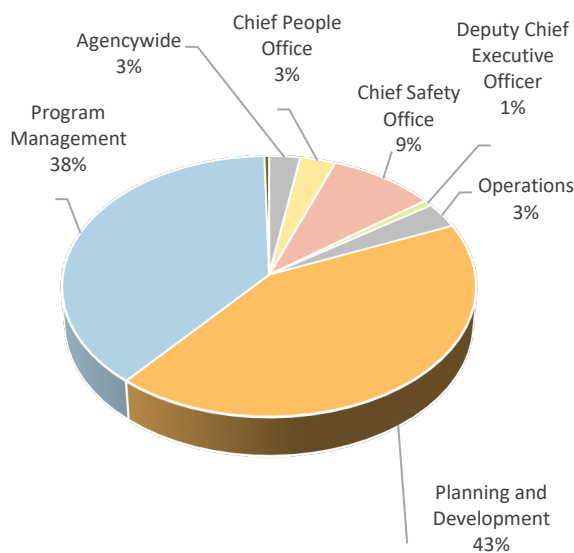
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Executive Summary

In Progress Projects
as of September 30, 2025



Summary of Audit Activity by Department
Reporting Period
July 1, 2025 – September 30, 2025



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 79 in-progress projects as of September 30, 2025, which include 9 performance projects and 70 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 10 open MAS audit recommendations and 18 open for the Office of the Inspector General (OIG).

Summary of First Quarter Completed Audit Activity

MAS completed 15 audit projects. The projects are comprised of one (1) performance audit and 14 contract, financial and compliance audits.

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

A summary of the open audit recommendations is included on page 6.

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.

Eastside Access Improvements Project Phase III

MAS completed the Special Review of the Eastside Access Improvements Project (EAIP) Phase III. The objective of the review was to determine if expended funds, including grants, were reasonable and allocable, if the executed scope conformed with relevant sections of the Construction Committee Board Report and TIGER grant, and if the project adhered to the accountability and transparency requirements of the TIGER grant.

MAS found that the \$29.7 million in expenditures supporting the project complied with the terms of the TIGER grant and that the funds expended were reasonable and allocable to the project. Furthermore, the executed scope of EAIP Phase III conformed with the project elements described in the Construction Committee Board Report and revised statement of work in the TIGER grant. However, MAS found that the EAIP Phase III only partially adhered to the accountability and transparency requirements described in the relevant section of the TIGER grant.

MAS provided three recommendations to Program Management to address the underlying causes of the partial adherence to the accountability and transparency requirements. MAS also recommended that Customer Experience enhance communication with the public about scope changes to capital projects and strengthen its program to monitor external media for inaccurate content or messaging about Metro programs/projects, with conditions for timely corrective response. Further actions suggested to Customer Experience included reminding project webpage owners to review the content on their pages to ensure that older content is placed in clearly marked folders, and that only the most recent materials be linked directly under the 'Latest Updates' caption.

Management agreed with all four recommendations and committed to taking corrective actions. Management will implement the action plans, and MAS will follow up to ensure the recommendations are implemented.

This report was issued as a report to file and only distributed internally to stakeholders, as the project was requested by the Chief Executive Officer, primarily to fulfill their information needs.

Contract, Financial & Compliance Audits

MAS staff completed 14 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Los Angeles Department of Transportation – ATCS – Central City East Closeout	\$5,444,639	\$0
County of Los Angeles Department of Public Works – Slauson Avenue Corridor Improvements	\$5,065,110	\$0
City of Downey – Telegraph Road Traffic Safety Enhancements Phase II	\$350,000	\$0
City of El Monte – Bike Boulevard Project	\$870,256	\$218,156
City of Torrance – Plaza Del Amo at Western Ave Improvements	\$2,568,874	\$389,365
City of Huntington Park – Signal Synchronization and Bus Speed Improvement	\$1,197,980	\$182,853
City of Los Angeles – Traffic Management Integration Phase 2	\$1,760,175	\$219,749
Port of Los Angeles – Harbor Boulevard/Sampson Way/7 th Street Reconfiguration	\$11,256,894	\$18,685
City of Agoura Hills – Agoura Road Widening Project	\$37,187,990	\$4,510,118
Port of Long Beach – Gerald Desmond Bridge Replacement	\$1,004,987,191	\$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>		
NSI Engineering	N/A	N/A
Barrio Planners, Inc.	N/A	N/A
Global ASR Consulting, Inc.	N/A	N/A
JAD & Associates	N/A	N/A
Total Amount	\$1,070,689,109	\$5,538,926

Details on contract, financial and compliance audits completed during FY 2026 first quarter are included in Appendix B.

Audit Follow-Up and Resolution

The tables below summarize the open audit recommendations as of September 30, 2025.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief Safety Office			1	
Operations			3	
Strategic Financial Management			6	
Total			10	

OIG Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Operations	41	16	10	
Chief People Office		5	5	
System Security and Law Enforcement	1	4	3	
Total	44*	25	18	

**Includes two closed recommendations for local municipalities.*

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 September 30, 2025				
No.	Area	Project Number & Title	Description	Estimated Date of Completion
1	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.	10/2025
2	Chief People Office	24-PEN-P01 – Employee Pension Benefits	Verify the accuracy of pension payroll deductions and contributions for active eligible employees.	12/2025
3	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.	12/2025
4	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.	1/2026
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.	1/2026
6	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.	2/2026
7	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
8	Chief Safety Office	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	4/2026
9	Chief Safety Office	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

Audits 1, 2, and 4 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, 2025				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning and Development	24-PLN-A12 - Grant	City of Los Angeles Department of Transportation	7/2025
2	Planning and Development	24-PLN-A27 - Grant	County of Los Angeles Department of Public Works	7/2025
3	Planning and Development	25-PLN-A06 - Grant	City of Downey	7/2025
4	Planning and Development	25-PLN-A01 - Grant	City of El Monte	7/2025
5	Planning and Development	25-HWY-A05 - Grant	City of Torrance	7/2025
6	Program Management	25-CON-A02 - Contract	NSI Engineering	8/2025
7	Planning and Development	24-PLN-A23 - Grant	City of Huntington Park	8/2025
8	Planning and Development	25-PLN-A05 - Grant	City of Los Angeles	8/2025
9	Program Management	24-CON-A05(A) - Contract	Barrio Planners, Inc.	9/2025
10	Program Management	25-CON-A04 - Contract	Global ASR Consulting, Inc.	9/2025
11	Planning and Development	24-PLN-A13 - Grant	Port of Los Angeles	9/2025
12	Planning and Development	24-HWY-A03 - Grant	City of Agoura Hills	9/2025

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2025				
No.	Area	Audit Number & Type	Auditee	Date Completed
13	Planning and Development	20-PLN-A09 - Grant	Port of Long Beach	9/2025
14	Program Management	24-CON-A06(B) - Contract	JAD & Associates	9/2025

Appendix C

Open Audit Recommendations as of September 30, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	21 SEC P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	3 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
2	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. UPDATE: Closed November 2025	10/31/2024	12/31/2025
3	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. UPDATE: Closed November 2025	10/31/2024	12/31/2025
4	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	
5	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	

Appendix D

Open OIG Audit Recommendations as of September 30, 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
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
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	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	2	The P-Cardholder should sign the U.S. Bank statement as an acknowledgement of the accuracy and completeness of all charges appearing on the statement. UPDATE: Closed October 2025	8/31/2025	
7	Chief People Office	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	3	Approving officials should verify that cardholder has signed the bank statement in compliance with P-Card Rules and Guidelines before approving the P-Card Log. UPDATE: Closed October 2025	8/31/2025	
8	Chief People Office / Vendor/Contract Management	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	4	Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.	3/31/2026	
9	System Security and Law Enforcement	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	
10	System Security and Law Enforcement	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	
11	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	
12	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	
13	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	

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

Appendix D

Open OIG Audit Recommendations as of September 30, 2025						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	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	
15	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	
16	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	
17	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	
18	System Security and Law Enforcement	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	

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