

Quarterly Report to Metro Board of Directors

FY 2024 First Quarter



Metro

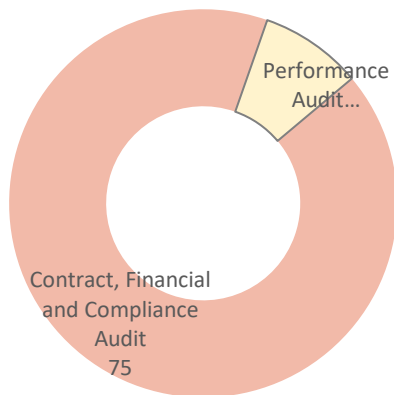
**MANAGEMENT
AUDIT SERVICES**

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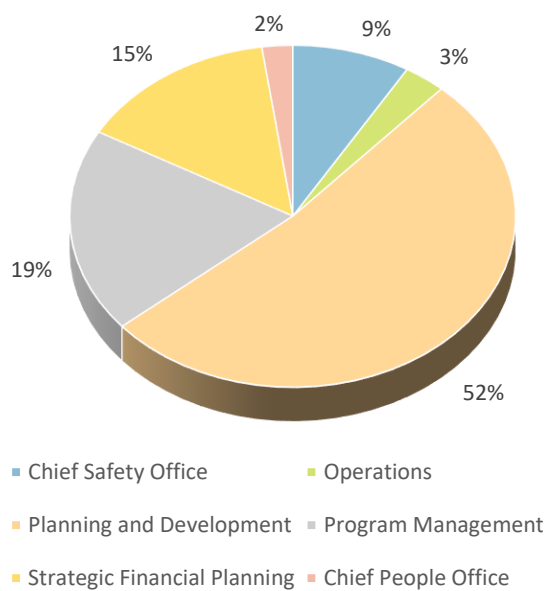
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Executive Summary

In Progress Audits
as of September 30, 2023



Summary of Audit Activity by Department
Reporting Period
July 1, 2023 – September 30, 2023



Summary of In Progress Audit Activity

Management Audit Services (MAS) has 82 in progress projects as of September 30, 2023, which include 7 performance audits and 75 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 5 open MAS audit recommendations.

Summary of First Quarter Completed Audit Activity

MAS completed 12 audit projects and closed 19 open MAS audit recommendations as well as 9 for the Office of the Inspector General. The projects are comprised of 1 performance audit and 11 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 closed and 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. 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.

Real Estate Management System

MAS completed an advisory report for the Real Estate Management System now under implementation. The objective of the advisory report was to summarize the audit recommendations from MAS Report No. 14-EDD-P01, Performance Audit of Real Estate Property Management Follow-Up, issued August 31, 2016, that should now be included in the design requirements for the Asset Management module implementation.

Results of this review were provided to Planning during the system implementation phase for general application controls development. This follow-up project ensures the new system addresses all outstanding previously reported issues. Implemented recommendations or areas outside the scope of the new system were excluded from this review. Management agreed with all nine recommendations in this 2023 MAS report.

Contract, Financial & Compliance Audits

MAS staff completed 11 independent auditor's report on agreed-upon procedures for the following projects:

| Project | Reviewed Amount | Questioned and/or Reprogrammed Amount |
|---|--------------------|---------------------------------------|
| City of Los Angeles Board of Harbor Commissioners – I-710 Eco-FRATIS Drayage Truck Efficiency Project | \$239,808 | \$192 |
| AECOM Technical Services, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| Guida Surveying, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| NN Engineering, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| TY Lin International – Vermont Transit Corridor Project | N/A | N/A |
| Vicus, LLC. – Vermont Transit Corridor Project | N/A | N/A |
| RAW International, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| Terry A. Hayes Associates, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| V&A, Inc. – Vermont Transit Corridor Project | N/A | N/A |
| City of Malibu – Pacific Coast Highway at Big Rock Dr. Intersection Improvements and at La Costa Area Pedestrian Improvements Project | \$744,506 | \$557,956 |
| City of Pico Rivera – Rosemead Boulevard and Whittier Boulevard Intersection Improvements Project | \$1,617,470 | \$204,030 |
| Total Amount | \$2,601,784 | \$762,178 |

Details on contract, financial and compliance audits completed during FY 2024 first quarter are included in Appendix B.

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of September 30, 2023.

| MAS and External Audit Recommendations | | | | |
|---|---------------|------------|-----------------------|-----------------|
| Executive Area | Closed | New | Currently Open | Past Due |
| Chief People Office | 1 | | 3 | |
| Chief Safety Office | 3 | | 2 | |
| Operations | 15 | | | |
| Total | 19 | | 5 | |

| OIG Audit Recommendations | | | | |
|----------------------------------|---------------|------------|-----------------------|-----------------|
| Executive Area | Closed | New | Currently Open | Past Due |
| Chief Safety Office | 9 | | | |
| Total | 9 | | | |

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

Appendix A

| Performance Audit - In Progress Audits as of September 30, 2023 | | | | |
|---|--|---|---|------------------------------|
| No. | Area | Audit Number & Title | Description | Estimated Date of Completion |
| 1 | Operations | 21-SEC-P01 - Business Continuity Plan (Rail) | Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies. | 12/2023 |
| 2 | Operations | 22-OPS-P03 - OCI Training | Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. Training records will be assessed for accuracy and completeness. | 1/2024 |
| 3 | Program Management | 23-OMB-C01 - Capital Project Inflation Risk | Review Metro's process for projecting and managing inflation risk for capital projects. Consider the construction market analyses done by Program Management as well as any consideration that has been given to hedging strategies, estimating and forecasting efforts related to this area. | 2/2024 |
| 4 | 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. | 2/2024 |
| 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. | 2/2024 |
| 6 | Operations | 23-SEC-P01 Business Continuity Plan (Bus) | Evaluate the adequacy of Bus Operations' Continuity of Operations Plan and Standard Operating Procedures to support Bus Operations' mission essential functions during emergencies. | 3/2024 |
| 7 | Strategic Financial Management | 23-VCM-P01 - Performance Audit of Contract Price Structures for Professional Services | Assess the process performed by contract administrators and project managers for firm fixed-price professional service contracts, payment structures and performance milestones. Assess the process used to determine the use of firm fixed price professional services contracts. | 3/2024 |
| 8 | Strategic Financial Management | 23-VCM-P03 Spare Parts Inventory | Assess whether Logistics is managing critical spare parts inventory effectively and in accordance with Metro policies and procedures. This includes examining methodology for identifying critical components and ensuring that the necessary spare parts are readily available. | 3/2024 |

Appendix B

| Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2023 | | | | |
|---|------------------------|--|---------------------------------|-----------------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 1 | Planning & Development | 23-HWY-A01 - Agreed Upon Procedures | City of Los Angeles | 7/2023 |
| 2 | Planning & Development | 23-PLN-A17(A) - Agreed Upon Procedures | AECOM Technical Services, Inc. | 7/2023 |
| 3 | Planning & Development | 23-PLN-A17(D) - Agreed Upon Procedures | Guida Surveying, Inc. | 7/2023 |
| 4 | Planning & Development | 23-PLN-A17(F) - Agreed Upon Procedures | NN Engineering, Inc. | 7/2023 |
| 5 | Planning & Development | 23-PLN-A17(G) - Agreed Upon Procedures | TY Lin International | 7/2023 |
| 6 | Planning & Development | 23-PLN-A17(I) - Agreed Upon Procedures | Vicus, LLC | 7/2023 |
| 7 | Planning & Development | 23-HWY-A02 - Agreed Upon Procedures | City of Malibu | 8/2023 |
| 8 | Planning & Development | 23-HWY-A05 - Agreed Upon Procedures | City of Pico Rivera | 8/2023 |
| 9 | Planning & Development | 23-PLN-A17(B) - Agreed Upon Procedures | RAW International, Inc. | 8/2023 |
| 10 | Planning & Development | 23-PLN-A17(C) - Agreed Upon Procedures | Terry A. Hayes Associates, inc. | 8/2023 |
| 11 | Planning & Development | 23-PLN-A17(H) - Agreed Upon Procedures | V&A, Inc. | 8/2023 |

Appendix C

| Open Audit Recommendations as of September 30, 2023 | | | | | | |
|---|---------------------|---|----------|---|--------------------------|--------------------------|
| 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 | Chief Safety Office | 21-RSK-P03 - Performance Audit of Transit Asset Inventory Records | 1b | We recommend the Deputy RSAM officer 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. | 11/30/2022 | 12/31/2024 |
| 5 | 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. | 11/30/2022 | 12/31/2024 |

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