

# Quarterly Report to Metro Board of Directors

FY 2024 Second Quarter



**Metro**

**MANAGEMENT  
AUDIT SERVICES**

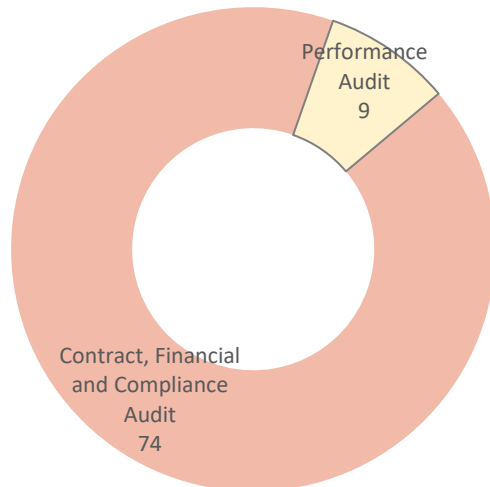
---

## Table of Contents

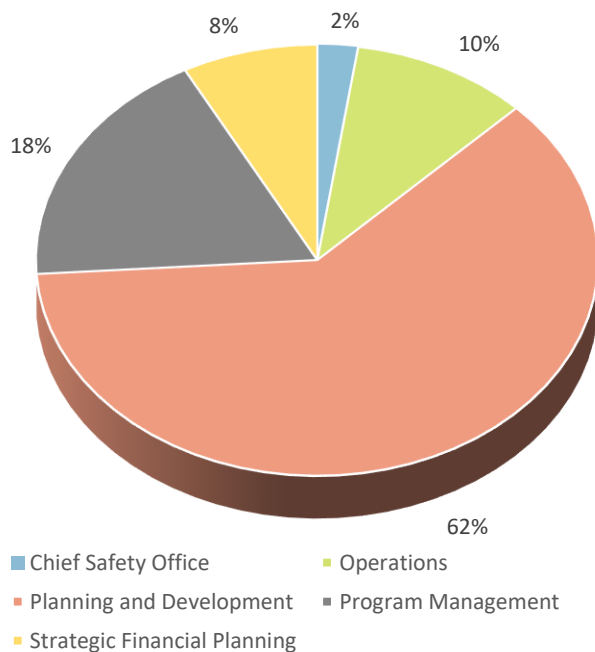
Executive Summary .....	3
<i>Summary of In Progress Audit Activity</i> .....	3
<i>Summary of Second Quarter Completed Audit Activity</i> .....	3
Contract, Financial & Compliance Audits .....	4
Financial and Compliance Audits of Metro.....	5
Audit Follow-Up and Resolution .....	7
Summary Tables	
Appendix 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 December 31, 2023



Summary of Audit Activity by Department  
Reporting Period  
October 1, 2023 – December 31, 2023



## Summary of In Progress Audit Activity

Management Audit Services (MAS) has 83 in progress projects as of December 31, 2023, which include 9 performance projects and 74 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

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

## Summary of Second Quarter Completed Audit Activity

MAS completed 31 audit projects. The projects are comprised of 15 contract, financial and compliance audits and 16 financial and compliance audits of Metro.

The completed contract, financial and compliance audits are highlighted on page 4. The financial and compliance audits of Metro issued by the external Certified Public Accounting (CPA) firms are highlighted beginning on page 5.

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

# 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
Coleman Environmental Engineering, Inc. - Environmental Engineering Services	N/A*	N/A*
City of Bellflower - Bellflower Boulevard Widening	\$8,042,653	\$548,932
City of Norwalk - Pioneer Arterial Transportation Enhancements	\$2,753,476	\$41,281
City of Glendale - Bike Facilities Phase 2	\$214,629	\$10,371
City of Lomita - Intersection Improvements at Western/Palos Verdes and Pacific Coast Highway/Walnut	\$1,553,988	\$85,143
City of Monterey Park – N. Atlantic Pedestrian Improvement	\$411,282	\$46,718
City of Pico Rivera - Rosemead Boulevard and Slauson Avenue Intersection Improvements	\$2,854,857	\$46,143
New Flyer - Local Employment Program Compliance (2 Audits)	N/A*	N/A*
Eldorado National (California), Inc. - Local Employment Program Compliance	N/A*	N/A*
City of Azusa - Azusa Traffic Management System	\$8,281,344	\$0
City of Arcadia - Santa Anita Ave. Corridor Traffic Signal and Crosswalk Improvements	\$891,731	\$0
City of Glendale - Narrows Riverwalk Bridge	\$583,074	\$43,882
City of Diamond Bar - Adaptive Traffic Control System	\$1,414,977	\$274,878
City of Hawthorne - Intersection Widening & Traffic Signal Modifications	\$2,092,829	\$67,662
<b>Total Amount</b>	<b>\$29,094,840</b>	<b>\$1,165,010</b>

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

\*Reviewed and questioned costs are not applicable as audits reviewed Local Employment Program compliance or indirect cost rates.

---

# Financial and Compliance Audits of Metro

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

## ***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, 2023. 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;
- Federal Funding Allocation Data for NTD as a Transportation Operating Agency;
- 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 FY23, which indicates that all financial statements for FY23 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified one exception in the NTD Report related to variances between operating expenses and audited financial data.

## ***Financial and Compliance Audits – Issued Various Dates***

MAS contracted with BCA to conduct an audit of the financial statements and compliance for the year ended June 30, 2023 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 above financial statements present fairly, in all material respect, for the fiscal year ended June 30, 2023, 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, 2023.

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

# Audit Follow-Up and Resolution

The tables below summarize the open audit recommendations as of December 31, 2023.

<b>MAS and External Audit Recommendations</b>				
<b>Executive Area</b>	<b>Closed</b>	<b>New</b>	<b>Currently Open</b>	<b>Past Due</b>
Chief People Office			3	
Chief Safety Office			2	
Total			5	

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

## Appendix A

Performance Audit - In Progress Projects as of December 31, 2023				
No.	Area	Project 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.	2/2024
2	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
3	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.	3/2024
4	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.	3/2024
5	Chief Safety Office	24-OPS-P01 - Special Review Fire Safety Response	Examine the adherence to Metro protocols in response to USG fire alarm activation.	3/2024
6	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.	3/2024
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	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.	4/2024
9	Strategic Financial Management	23-VCM-P03 Spare Parts Inventory	Assess whether Logistics manages critical spare parts inventory effectively and in accordance with Metro policies and procedures. This includes examining methodology for identifying critical components and ensuring that necessary spare parts are readily available.	5/2024



## Appendix B

<b>Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2023</b>				
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Auditee</b>	<b>Date Completed</b>
1	Program Management	22-CON-A08 - Agreed-upon Procedures	Coleman Environmental Engineering, Inc.	10/2023
2	Planning & Development	23-HWY-A11 - Agreed-upon Procedures	City of Glendale	11/2023
3	Planning & Development	23-PLN-A09 - Agreed-upon Procedures	City of Norwalk	11/2023
4	Planning & Development	23-HWY-A08 - Agreed-upon Procedures	City of Lomita	11/2023
5	Planning & Development	23-HWY-A12 - Agreed-upon Procedures	City of Pico Rivera	11/2023
6	Planning & Development	23-PLN-A14 - Agreed-upon Procedures	City of Monterey Park	11/2023
7	Planning & Development	23-HWY-A06 - Agreed-upon Procedures	City of Bellflower	11/2023
8	Operations	22-OPS-A02 - Agreed-upon Procedures	New Flyer of America, Inc. (OP28367-001)	11/2023
9	Operations	22-OPS-A01 - Agreed-upon Procedures	Eldorado National (California), Inc.	11/2023
10	Planning & Development	23-PLN-A20 - Agreed-upon Procedures	City of Arcadia	12/2023
11	Planning & Development	23-PLN-A15 - Agreed-upon Procedures	City of Azusa	12/2023
12	Planning & Development	23-HWY-A07 - Agreed-upon Procedures	City of Glendale	12/2023

**Appendix B**

<b>Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2023</b>				
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Auditee</b>	<b>Date Completed</b>
13	Planning & Development	23-PLN-A21 - Agreed-upon Procedures	City of Diamond Bar	12/2023
14	Planning & Development	20-HWY-A10 - Agreed-upon Procedures	City of Hawthorne	12/2023
15	Operations	22-OPS-A03 - Agreed-upon Procedures	New Flyer of America, Inc. (OP28367-003)	12/2023

## Appendix C

Open Audit Recommendations as of December 31, 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. <b>Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.</b>	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. <b>Update: Sufficient evidence of implementation of this recommendation will be available after Phase 3 of the EAMS is completed.</b>	11/30/2022	12/31/2024

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