

**MANAGEMENT AUDIT SERVICES  
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan  
Transportation Authority**

***Second Quarter  
FY 2017***



**Metro™**

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# *EXECUTIVE SUMMARY*

## Summary of Audit Activity

During the second quarter of FY 2017, 18 projects were completed. These include:

### Internal Audits

- Performance Audit of Post Implementation Automated Storage and Retrieval System (ASRS) Manager Computer System Upgrade
- Performance Audit of Wayside Systems - Track Maintenance

### Pre-Award Audits

- Two Independent Auditor's Reports on Agreed-Upon Procedures for the Indirect Cost Rates Proposal for Purple Line Extension Section 2 Project.

### Incurred Cost Audits

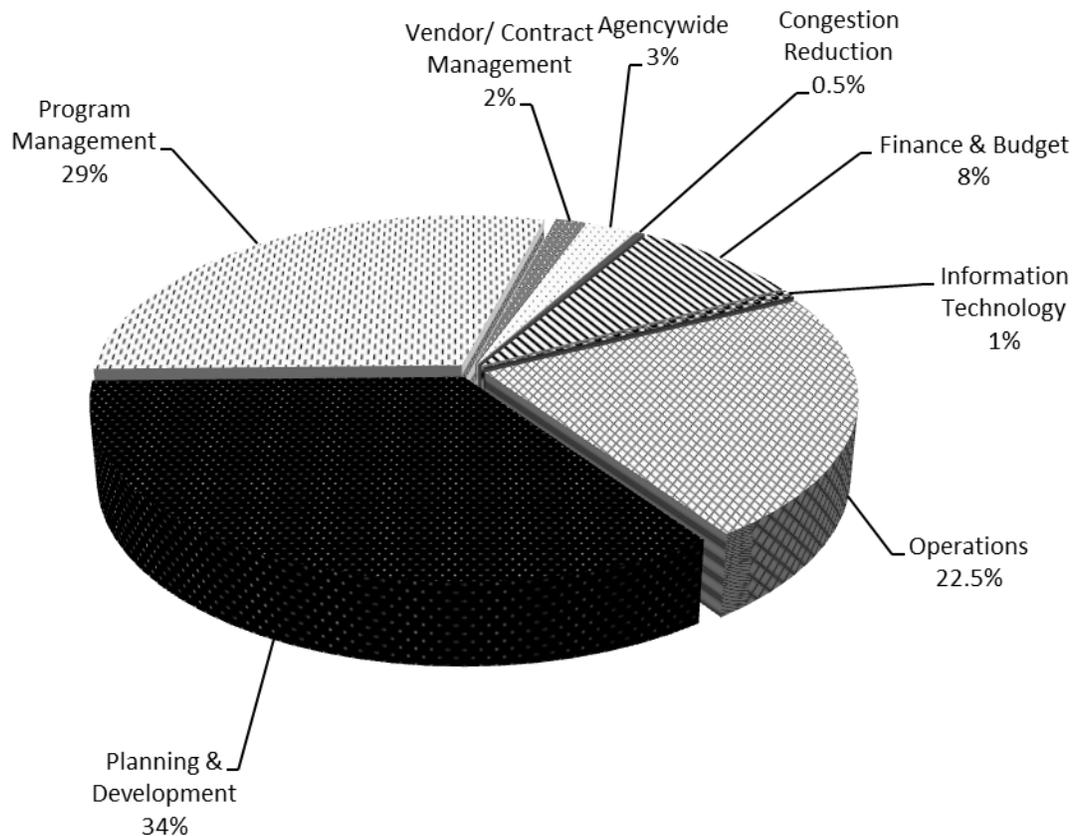
- Two Independent Auditor's Reports on the Statement of Direct Labor and Indirect Cost for Fiscal Year Ended May 31, 2014 and 2015 for Barrio Planners Incorporated;
- Four Independent Auditor's Reports on Agreed-Upon Procedures for the FY13-FY15 Indirect Rates for Westside Subway Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Malibu's PCH/Kanan Dume Road Intersection and Arrester Bed Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Gardena's Vermont Avenue Arterial Improvements from Rosecrans Avenue to 182<sup>nd</sup> Street Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' San Fernando Valley/North-South Bus Speed Improvements Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Interim Review of Caltrans' I-5 South HOV Segment 2 – Valley View Interchange Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' Skirball Center Drive Widening- I-405 Freeway to Mullholland Drive Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Arden Ave. from Highland Ave. to Kenilworth St. Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Gardena's Rosecrans Ave. Arterial Improvements from Vermont Ave. to Crenshaw Blvd. Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' Vermont Avenue Bridge Widening N/B Access Freeway Project.

The completed external audits are discussed on page 4. Discussions of the internal audits begin on page 5.

# EXECUTIVE SUMMARY

Eighty-one projects were in process as of December 31, 2016; these include 11 internal audits, 6 contract pre-award audits, and 64 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during second quarter FY 2017:



## Audit follow-up:

- 18 recommendations were closed during the second quarter. At the end of the quarter there were 98 open audit recommendations.
- In addition, we closed 6 OIG recommendations. At the end of the quarter there were 16\* open audit recommendations.

\*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending. However, Program Management has hired a consultant to assist in addressing the most critical elements of the Best Practices Study.

# *EXECUTIVE SUMMARY*

## Audit Standard Reporting Requirements

### Independence

The International Standards for the Professional Practice of Internal Auditing requires that we report annually on our organizational independence. Organizational independence is achieved if the chief auditor reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities in an unbiased manner.

Management Audit reports to the CEO and the Audit Charter requires that the Board of Directors' review and concur in the appointment, replacement or dismissal of the Chief Auditor. Therefore, we are organizationally independent and in compliance with this standard.

### Audit Charter

The International Standards for the Professional Practice of Internal Auditing requires that we review our internal audit charter periodically, present it to executive management and obtain board approval. The internal audit charter is a formal document that defines management audit activity's purpose, authority, and responsibility.

The Audit Charter was approved by the Board in July 2009. In 2011, the International Standards for the Professional Practice of Internal Auditing were revised. The Board approved Charter was compared to the updated standards and is in compliance with the new requirements. The Audit Charter is included in Appendix F for your reference.

### Internal Quality Self-Assessment

The International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards require that we report annually to executive management and the board on the quality assurance and improvement program.

An independent quality self-assessment was completed for FY16 and we are in compliance with the audit standards. We identified two areas of improvement relating to internal processes over engagement management. As a result of the quality assessment, we enhanced our engagement procedures and conducted departmental refresher trainings.

# *EXTERNAL AUDITS*

## Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During second quarter FY 2017, two audits were completed. The two audits supported procurements in the following areas:

- 2 Purple Line Extension, Section 2 Project procurements.

Six contract pre-award audits were in process as of December 31, 2016.

Details on Contract Pre-Award Audits completed during second quarter FY 2017 are in Appendix A.

## Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including CalTrans projects. The purpose of the audits is to ensure that funds are spent in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 14 audits during second quarter FY 2017. We reviewed \$123.5 million of funds and identified \$6.7 million or 5% of unused funds that may be reprogrammed. Sixty-four incurred cost audits were in process as of December 31, 2016.

Details on Incurred Cost Audits completed during second quarter FY 2017 are in Appendix B.

# *INTERNAL AUDITS*

For the second quarter of FY 2017, 2 internal audits were completed. Eleven internal audits were in process as of December 31, 2016. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the second quarter FY 2017. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

## *Performance Audit of Wayside Systems – Track Maintenance*

The audit objective was to evaluate the efficiency and effectiveness of the rail track maintenance process.

The Wayside Track Maintenance process is effective in that it complies with track safety standards established by the California Public Utilities Commission. However, we found that the Preventative Maintenance Plan (PMP) is not comprehensive and does not provide a basis for proactively sustaining the track structure because maintenance activities are mostly reactive to conditions identified during inspections. We found opportunities to improve the process by developing a more comprehensive PMP through regularly planned maintenance, scheduled repair and scheduled replacement of track assets and components; fully automating the inspection and work order processes, establishing formal standards and guidelines for maintaining track assets, and improving the training program for maintenance staff.

Management concurred with all of our recommendations and is implementing corrective actions to resolve the issues.

## *Performance Audit of Post Implementation Automated Storage and Retrieval System (ASRS) System Upgrade*

The audit objective was to evaluate the effectiveness of the implementation process for the ASRS upgrade.

We found that the implementation process for the ASRS system upgrade was effective. User satisfaction was met and there was a process in place to respond to issues identified and that they were resolved in a timely manner. In addition, we found that the procurement process was followed to ensure that the agency received the ASRS system upgrade that it procured and paid for.

# *OTHER AUDITS*

## Other Audits

Other audits completed during Second Quarter FY17 by external CPA firms include:

### Proposition A and C Special Revenue Funds Audit – Issued November 2016

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the Los Angeles County Metropolitan Transportation Authority with the provisions of Propositions A and C. BCA Watson Rice LLP (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2016. As required by law, BCA will present their audit report to the Independent Citizen's Advisory Oversight Committee.

### Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued November 2016

Metro acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

We contracted BCA Watson Rice LLP (BCA) to conduct an audit of the financial statements for these two entities for the year ended June 30, 2016. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

### Measure R Special Revenue Fund Audit – Issued November 2016

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the MTA complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2016. As required by law, BCA will present their audit report to the Measure R Oversight Committee.

### Measure R Compliance Audit of the Cities and County – Issued December 2016

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the net revenues allocated to the Local Return Subfund during the fiscal year. For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the audits of Measure R sales tax revenues used by the 87 cities as well as the County of Los Angeles. As required by law, Simpson & Simpson and Vasquez will present their audit report to the Measure R Oversight Committee.

## *OTHER AUDITS*

### Audited Financial Statements of Regional Transit Access Pass (TAP) Settlement and Clearing Accounts – Issued December 2016

Los Angeles TAP was created by the LACMTA through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing LACMTA's staff resources.

We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2016. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center TAP Settlement and Clearing Accounts as of June 30, 2016.

### PTSC-MTA Risk Management Authority Basic Financial Statements – Issued December 2016

In October 1998, the Public Transportation Services Corporation (PTSC) and the Los Angeles County Metropolitan Transportation Authority (LACMTA) entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from LACMTA and PTSC. As PTSC also receives its funding from LACMTA, PRMA is a component unit of the LACMTA and is included in LACMTA's financial statements as a blended component unit.

An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2016. BCA found that the financial statements present fairly, in all material respects, the position of PRMA as of June 30, 2016.

## OTHER AUDITS

### Basic Financial Statements – All parts Issued by December 2016

An audit of our financial statements by an independent CPA firm is required annually. We retained Crowe Horwath LLP to conduct the audit for the fiscal year FY16. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2016:

- Basic Financial Statement Report;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2016 which include:
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and
  - Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards as Required by OMB Circular A-133;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2016;
- Transportation Development Act Operations Agency for the year ended June 30, 2016;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2016 and 2015;
- Crenshaw Project Corporation basic financial statements and other supplementary information as of June 30, 2016; and
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2016 and 2015.

Crowe issued unmodified opinions on all audit reports. There were no findings identified in the audit reports.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During the second quarter, 18 recommendations were completed and closed. At the end of this quarter there were 98 outstanding audit recommendations. The table below summarizes the second quarter activity.

### Summary of MAS and External Audit Recommendations As of December 31, 2016

Executive Area	Closed	Late <sup>1</sup>	Extended	Not Yet Due/Under Review	Total Open
Program Management				8	8
Labor/Employee Relations	2		1		1
Finance and Budget	1				
Information Technology			3		3
Metro Operations	4		14	29	43
Planning and Development	2		15	9	24
Communications	9			12	12
Systems Security & Law Enforcement				6	6
Congestion Reduction			1		1
<b>Totals</b>	<b>18</b>	<b>0</b>	<b>34</b>	<b>64</b>	<b>98</b>

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

In addition to the above MAS and external audit recommendations, we closed 6 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 16\* outstanding OIG audit recommendations.

\*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending. However, Program Management has hired a consultant to assist in addressing the most critical elements of the Best Practices Study.

## Appendix A

<b>Contract Pre-Award Audit FY 2017 - Audits Completed During Second Quarter</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	17-CON-A04 - Attestation Agreed-upon Procedures	BA Inc.	Contractual	10/2016
Program Management	17-CON-A05 - Attestation Agreed-upon Procedures	Dakota Communications	Contractual	10/2016

## Appendix B

<b>Incurred Cost Audit FY 2017 - Audits Completed During Second Quarter</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Planning & Development	16-PLN-A34 - Closeout	City of Malibu	Contractual	10/2016
Planning & Development	16-PLN-A37 - Closeout	City of Gardena	Contractual	10/2016
Planning & Development	16-PLN-A22 - Closeout	City of Los Angeles	Contractual	10/2016
Planning & Development	14-PLN-A18 - Interim	County of Los Angeles	Contractual	10/2016
Planning & Development	15-PLN-A11 - Closeout	City of Los Angeles	Contractual	11/2016
Program Management	17-HWY-A01 - Closeout	City of Glendale	Contractual	11/2016
Program Management	17-HWY-A06 - Closeout	City of Gardena	Contractual	12/2016
Planning & Development	16-PLN-A09 - Closeout	City of Los Angeles	Contractual	12/2016
Program Management	17-CON-A17 - Attestation Agreed-upon Procedures	AECOM Technical Services, Inc.	Contractual	12/2016
Planning & Development	17-SPE-R03A - Attestation Agreed-upon Procedures	Barrio Planners Incorporated	Contractual	11/2016
Planning & Development	17-SPE-R03B - Attestation Agreed-upon Procedures	Barrio Planners Incorporated	Contractual	11/2016

<b>Incurred Cost Audit FY 2017 - Audits Completed During Second Quarter</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	17-CON-A16 - Attestation Agreed-upon Procedures	Stantec Consulting Services, Inc.	Contractual	12/2016
Program Management	17-CON-A24 - Attestation Agreed-upon Procedures	North American Infrastructure	Contractual	12/2016
Program Management	17-CON-A23 - Attestation Agreed-upon Procedures	MARRS Services Inc.	Contractual	12/2016

## Appendix C

<b>Internal Audit FY 2017 - In Process as of December 31, 2016</b>			
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Estimated Date of Completion</b>
Finance & Budget	10-ACC-F01 - Accounts Receivable	Validate Accounts Receivable is in compliance with departmental policies and procedures.	2/2017
Program Management	16-CON-P01 - Indefinite Delivery / Indefinite Quantity (IDIQ) Type Contracts	Determine the efficiency and effectiveness of the administration of IDIQ Contracts.	2/2017
Program Management	12-CON-P03 - I-405 Follow-up	Verify if management's corrective actions from the prior audit were implemented and resulting in improvements.	2/2017
Information Technology	16-ITS-P02 - Audit of IT Asset Management	Evaluate the effectiveness of management over technology assets.	2/2017
Program Management	16-CON-P04 - Quality Assurance	Effectiveness and efficiency of quality assurance processes.	2/2017
Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	2/2017
Metro Operations	16-OPS-P03 - Accident Prevention Program	Evaluate effectiveness of accident prevention practices	2/2017
Congestion Reduction	16-CEO-P02 - 511 follow-up audit	Follow Up on 511 audit.	3/2017
Vendor / Contract Management	16-VCM- P01 - Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3/2017

<b>Internal Audit FY 2017 - In Process as of December 31, 2016</b>			
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Estimated Date of Completion</b>
Metro Operations	16-OPS-P02 - Rail Overhaul and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	4/2017
Metro Operations	16-OPS-P05 - Division Practices	Evaluate effectiveness of Division management practices	4/2017

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-006 - HASTUS	2	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
2	Operations	11-OPS-006 - HASTUS	3	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all AP features. a. Develop the requirements to utilize AVL data to supplement missing data from the APC. b. Customize the current ATP module to improve its functionality until the proposed 2013 upgrade can be accomplished. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
3	Operations	11-OPS-006 - HASTUS	4	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the higher minimum of either 1) the United Transportation Union Labor Agreement, or 2) an operational minimum layover time. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
4	Operations	11-OPS-006 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
5	Operations	11-OPS-006 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
6	Operations	11-OPS-006 - HASTUS	7	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the maximum number of vehicle groups possible for any given trip. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
7	Operations	11-OPS-006 - HASTUS	8	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Training Schedulers to use Minbus advanced features. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017

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

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Operations	11-OPS-006 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2014	6/30/2017
9	Operations	11-OPS-006 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2014	6/30/2017
10	Operations	11-OPS-006 - HASTUS	13	We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates. <b>Update: Implementation of this recommendation dependent on upgrade of the HASTUS system. Operations working with vendor, however additional time is needed to complete conversion of the scripts to upgrade the system.</b>	6/30/2016	6/30/2017
11	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	4	Document existing procedures to improve internal control and oversight of grantees/sub-recipients	6/30/2015	2/28/2017
12	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	5	Activities at high risk for error and non-compliance should be identified and procedures documented for consistent implementation across all modes and project managers.	6/30/2015	2/28/2017
13	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	7	Proceed with development of grants management module in the FIS system.	12/31/2015	2/28/2017
14	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	8	Coordinate FIS module development with a more comprehensive grants management database system for tracking grants within the RGM Unit. Consider using a user-friendlier "Windows-based" environment for the grants management database.	12/31/2015	2/28/2017
15	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	9	Inventory and evaluate current "shadow systems" to help determine project manager requirements. This may provide useful information for the creation of a centralized database.	12/31/2015	2/28/2017
16	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	10	Develop protocols on who can update the data and how often.	12/31/2015	2/28/2017
17	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	11	Develop a high-level summary of grants for Metro executive staff and Board members based on their need for that information.	12/31/2015	2/28/2017

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

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	12	Consider revising its organizational structure to provide clearer definition of responsibilities, improved levels of supervision and review, and improved management control and oversight. One possible structure would be around the key functions or elements of grants management.	6/30/2015	2/28/2017
19	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	13	Develop teams around each of these key elements, with a supervisor responsible for managing and directing each team's activities.	6/30/2015	2/28/2017
20	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	19	Develop a process to ensure implementation of timely and appropriate corrective actions to address closeout activities such as final reporting, project closeouts and other events that affect the closeout process.	6/30/2015	2/28/2017
21	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	20	Designate an individual to serve as the grant closeout liaison.	6/30/2015	2/28/2017
22	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	21	Create a tool, such as an "Aging Report" to enable the liaison to quickly identify a critical event and to perform necessary updates to close the grant.	6/30/2015	2/28/2017
23	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	26	Inventory individual roles and responsibilities and develop procedures for transfer of knowledge and cross training of other team members.	6/30/2015	2/28/2017
24	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	27	Develop a process focused less on modal specialization and adopt a model whereby a greater number of team members are trained across a wider spectrum of activities and modes.	6/30/2015	2/28/2017
25	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	28	Establish formal training; verify that processes are consistent but sufficiently flexible to accommodate variations in managing grants and projects.	6/30/2015	2/28/2017
26	Congestion Reduction	12-HCP-P01 - Metro Freeway Service Patrol	3	Develop goals and objectives, and reinstitute performance measurements, for the oversight of the Metro Freeway Service Patrol Program. <b>Update: Delay in execution of FSP Communication / Data Collection system contract.</b>	5/30/2016	3/31/2017
27	Information Technology	14-ADM-P01 - Mobile Devices	2	We recommend that the Chief Information Officer implement appropriate Mobile Device Management software to manage all mobile devices and enforce security.	9/30/2015	10/31/2016

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

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
28	Information Technology	14-ADM-P01 - Mobile Devices	3	We recommend that the Chief Information Officer expand ITS wireless Device and Service policies and procedures to include written security requirements for mobile devices.	9/30/2015	10/31/2016
29	Information Technology	14-ADM-P01 - Mobile Devices	4	We recommend that the Chief Information Officer implement a device management platform that will provide adequate device level security controls.	9/30/2015	10/31/2016
30	Operations	13-OPS-P06 - Contracted Bus Service	1	We recommend the Executive Director, Transportation, to require Contracted Services to: develop a Contract Monitoring System that includes but is not limited to: a. A Contract Administration Plan that specifies the performance outputs of the statement of work and describes the methodology to conduct monitoring or surveillance. The extent and frequency of monitoring activities should be based on an assessment of risk related to each contractor and the impact if the work is not performed adequately. b. Written policies and procedures that serve as a guide to ensuring consistent, high quality contract monitoring process. c. A centralized location for receiving and maintaining contractors' submittals and reports by utilizing Metro's existing web based SharePoint system.	10/31/2016	
31	Operations	13-OPS-P06 - Contracted Bus Service	6	We recommend the Executive Director, Transportation, to require Contracted Services to develop procedures for monitoring contractors performance, including, but not limited to, spot checks, periodic inspections, random sampling of routine functions, based on the risk identified in the Contract Administration Plan and the analyses of contractors monthly submittals. <b>Update: Documented procedures for monitoring contract performance will be addressed as part of development of policies and procedures for Contracted Services Department however, Operations has implemented an internal practice for field reps. to use a checklist to guide them in monitoring contractor performance.</b>	6/30/2016	2/28/2017
32	Operations	13-OPS-P06 - Contracted Bus Service	12	We recommend the Executive Director of Transportation, require that Contracted Services follow-up variances and anomalies in KPI data and results with contractor to determine their cause and ensure that any necessary corrective actions have been implemented. <b>Update: Documented procedures will be addressed as part of development of policies and procedures for Contracted Services Department however, Operations has implemented an internal invoice checklist as a reminder to ensure that variances and anomalies are escalated to the Contract Services Manager for further review and assessment.</b>	3/31/2016	2/28/2017
33	Operations	13-OPS-P06 - Contracted Bus Service	13	We recommend the Executive Director of Transportation, require that Contracted Services identify KPIs as measurements for contractors' performance within future contracts. <b>Update: KPI measurements will be addressed in future contracts to be executed in late FY17.</b>	6/30/2016	2/28/2017

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
34	Operations	13-OPS-P06 - Contracted Bus Service	14	We recommend the Executive Director of Transportation, require that Contracted Services document follow-up of exceptions, cited in both CHP and QA inspection reports, and corrective actions taken. <b>Update: Documented procedures for monitoring contract performance will be addressed as part of development of policies and procedures for Contracted Services Department however, Operations has implemented an internal practice for field reps. to use a checklist to document any exceptions and subsequent corrective actions.</b>	5/31/2016	2/28/2017
35	Operations	13-OPS-P04 - Operations Key Performance Indicators	6	We recommend that the Chief Operations Officer requires SPA to continue to work with ITS to develop a Business Intelligence software application that includes a customizable interface with the ability to pull data from multiple sources.	6/30/2017	
36	Program Management	13-CEO-P01 - Cost Estimating Process	1	We recommend that Estimating Management develop comprehensive policies and procedures that at a minimum should include: a) Clear definition of the role of the Cost Estimating department in the following areas: preparation of independent cost estimates including thresholds when the estimating department is responsible in preparing the cost estimates, review, validation and approval of cost estimates, involvement in budget planning phase b) Standard process and format including the requirement to use Work Breakdown Structure (WBS) to be used by consultants, contractors and internal staff.	3/31/2017	
37	Program Management	13-CEO-P01 - Cost Estimating Process	2	Communicate the policies and procedures to staff, consultants and users.	3/31/2017	
38	Program Management	13-CEO-P01 - Cost Estimating Process	3	Evaluate resources to meet the role and responsibilities of cost estimating department.	3/31/2017	
39	Program Management	13-CEO-P01 - Cost Estimating Process	4	Collaborate with procurement and program management in revising the naming convention on policies and procedures.	3/31/2017	
40	Program Management	13-CEO-P01 - Cost Estimating Process	5	We recommend that Estimating Management evaluate the training needs for estimating staff based on the changes of agency's risk, and ensure knowledge is transferred as staff retired.	3/31/2017	
41	Program Management	13-CEO-P01 - Cost Estimating Process	6	Based on the training need assessment, evaluate the required resources for training and develop a training program.	3/31/2017	
42	Program Management	13-CEO-P01 - Cost Estimating Process	7	Consider adding the training requirements in the policy and procedures.	3/31/2017	
43	Program Management	13-CEO-P01 - Cost Estimating Process	8	We recommend that Estimating Management provide estimating guidelines and formats when utilizing two independent estimates, so that they may be compared productively. Guidelines should be developed that cover estimating approach, methodology, Work Breakdown Structures (WBS) and cost account structure.	3/31/2017	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
44	Communications	16-COM-P01 - Special Fares Programs	6	We recommend that the Customer Programs and Services Department rotate the independent reviewer(s) periodically.	9/30/2016	
45	Communications	16-COM-P01 - Special Fares Programs	8	We recommend that the Customer Programs and Services Department collaborate with TAP operation to explore feasibility of system enhancement to allow the eligibility supporting documentation along with the application form to be stored electronically.	9/30/2016	
46	Labor / Employee Relations	16-COM-P01 - Special Fares Programs	11	We recommend that the HR Department maintain an inventory log to record the receipts and distribution of the Metro employee cards, and perform physical count periodically to ensure the log reconciles with the inventories on hand.	7/31/2016	3/31/2017
47	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department update the B-TAP Program Policy and/or Agreement terms so that the language on these two documents are consistent with the intended pricing level for B-TAP customers.	3/31/2017	
48	Communications	16-COM-P01 - Special Fares Programs	16	We recommend the Communications Department to implement a formal detailed review where the price is recalculated and employment status is verified for accuracy on a sample basis. This review should be performed periodically by individual(s) independent of the sales team to assess the reasonableness, eligibility and accuracy of the customer data and program pricing.	3/31/2017	
49	Communications	16-COM-P01 - Special Fares Programs	19	We recommend the Communications Department to define the program ownership, and clarify the roles and responsibilities to ensure the program performance is monitored and evaluated.	3/31/2017	
50	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making.	3/31/2017	
51	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.	3/31/2017	
52	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.	3/31/2017	
53	Communications	16-COM-P01 - Special Fares Programs	23	We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements.	3/31/2017	
54	Communications	16-COM-P01 - Special Fares Programs	24	We recommend the Communications Department to implement periodic review (at least annually) of YOTM cardholders to ensure their eligibility.	3/31/2017	
55	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management.	3/31/2017	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
56	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue.	3/31/2017	
57	Planning & Development	14-EDD-P01 - Real Estate Property	6	We recommend that Real Estate Management review lease agreements and make appropriate CPI and/or FMV adjustments. Document the decisions made on file when FMV and/or CPI adjustments are deemed unnecessary.	6/30/2017	
58	Planning & Development	14-EDD-P01 - Real Estate Property	7	We recommend that Real Estate Management ensure property management system is updated to reflect the appropriate lease amount.	6/30/2017	
59	Planning & Development	14-EDD-P01 - Real Estate Property	8	We recommend that Real Estate Management improve the invoice review process when manual invoices are generated outside the system for accuracy and completeness.	6/30/2017	
60	Planning & Development	14-EDD-P01 - Real Estate Property	9	We recommend that Real Estate Management set dollar threshold levels of approval for credit memos.	6/30/2017	
61	Planning & Development	14-EDD-P01 - Real Estate Property	10	We recommend that Real Estate Management require that all credit memos include a justification and proper documentation.	6/30/2017	
62	Planning & Development	14-EDD-P01 - Real Estate Property	11	We recommend that Real Estate Management complete the required inspections and document inspection records on file.	6/30/2017	
63	Planning & Development	14-EDD-P01 - Real Estate Property	12	We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts.	6/30/2017	
64	Planning & Development	14-EDD-P01 - Real Estate Property	13	We recommend that Real Estate Management develops policies and procedures for collecting and writing off past due accounts including when consultation with County Counsel is required. Policy should include timeframes to ensure timely actions are taken.	6/30/2017	
65	Planning & Development	14-EDD-P01 - Real Estate Property	14	We recommend that Real Estate Management will establish a process for investigating customer's payment that has no invoice reference so proper application of payments received can be made or invoice can be prepared.	6/30/2017	
66	Operations	16-AGW-P03 - Overtime Usage	3	We recommend that Bus and Rail Operation Management resolve the issues found in the overtime exception reports prior to finalizing the payroll code data entry and approval process for employee time.	10/31/2016	

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## Open Audit Recommendations

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
67	Operations	16-AGW-P03 - Overtime Usage	4	We recommend that Bus and Rail Operation Management collaborate with ITS and Payroll departments on either developing additional preventive/detective system controls or improving the current system controls in M3 and Payroll to assist timekeepers and approvers to prevent incorrect/invalid overtime payments to employees.	10/31/2016	
68	Operations	16-AGW-P03 - Overtime Usage	5	We recommend that Bus and Rail Operation Management perform periodic review by independent third person who is not involved in routine timesheet data entry and approval process to assess the effectiveness of improvement in the process/ controls in preventing the re-occurrence of invalid overtime payments.	12/31/2016	
69	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	6	We recommend that Transit Security Management collaborate with ITS and Payroll departments on establishing the preventive/detective controls to assist timekeepers and approvers to prevent invalid overtime payments to employees.	10/31/2016	
70	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	7	We recommend that Transit Security Management perform periodic review by independent third person who is not involved in routine timesheet data entry and approval process to assess the effectiveness of improvements made in the process/system controls in preventing the re-occurrence of invalid overtime payments.	10/31/2016	
71	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	9	We recommend that Transit Security Management collaborate with ITS Department to explore the options whether the approval and document retention for justifications in exceeding the 32 hours overtime limitation can be automated.	2/28/2017	
72	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	14	We recommend that Transit Security Department complete resource plan to determine the optimal number of regular employees to perform work requirements.	7/30/2017	
73	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	15	We recommend that Transit Security Department conduct a cost benefit analysis to compare the cost of hiring additional staff versus paying overtime to existing staff or a combination of both to determine the most cost efficient option to meet the work requirements.	7/30/2017	
74	Safety Security and Law Enforcement	16-AGW-P03 - Overtime Usage	16	We recommend that Transit Security Department periodically adjust the plan to reflect changes in work requirements.	7/30/2017	
75	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	1	We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements.	6/30/2017	
76	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	2	We recommend the Chief Operations Officer require Track management to develop a formal risk assessment of potential failures for track components or assets aimed at supplementing the current inspection program with a scheduled maintenance plan for selected components or maintenance practices.	6/30/2017	
77	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	3	We recommend the Chief Operations Officer require Track management to revise the current PMP to include assets or maintenance activities that can be performed on a cyclical basis.	3/31/2017	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
78	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	4	We recommend the Chief Operations Officer require Track management to develop quality standards for track maintenance to proactively maintain Metro's unique track infrastructure.	6/30/2017	
79	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	5	We recommend the Chief Operations Officer require Track management to consider the use of GPS-enabled handheld PDAs or other electronic device to record inspection results and improve track inspection information collection.	11/30/2016	
80	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	6	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions.	6/30/2017	
81	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	7	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to train inspectors to properly complete both inspection and maintenance forms.	6/30/2017	
82	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	8	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels.	06/30/2017	
83	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	9	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to collaborate with ITS to explore best options to enter inspection results in electronic format in a centralized location to allow future trends and analyses of data.	6/30/2017	
84	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	10	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition.	6/30/2017	
85	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	11	We recommend that the Chief Operations Officer, require Track management to collaborate with ITS to maximize the use of the M3 system (Inspection and/or Work Management modules) or identify a new system that is more suited for their process and make this a budgetary priority.	6/30/2017	
86	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	12	We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system.	6/30/2017	
87	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	13	We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports.	6/30/2017	
88	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	14	We recommend that the Chief Operations Officer, require Track management develop performance metrics for reporting to Executive Management on track condition and maintenance efforts.	3/31/2017	
89	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	15	We recommend the Chief Operations Officer require Tracks Management to develop departmental policies and procedures specific to Track Maintenance activities and specify the track maintenance standards and/or guidelines that should be followed.	6/30/2017	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
90	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	16	We recommend the Chief Operations Officer require Tracks Management to develop an illustrative field manual based on Metro's own criteria for track maintenance and allocate the necessary budget to do this.	6/30/2017	
91	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	17	We recommend the Chief Operations Officer require Tracks Maintenance to update SOPs to align with the track inspection criteria.	6/30/2017	
92	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	18	We recommend that the Chief Operations Officer require Track Management to engage engineering talent to provide design specifications for these complex and specialized equipment.	3/31/2017	
93	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	19	We recommend that the Chief Operations Officer require Track Management to create a long term maintenance equipment acquisition and replacement plan, recognizing the need for reliable and uninterrupted equipment utilization for our expanding rail operations and obtain the budget and resources necessary for the plan.	6/30/2017	
94	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	20	We recommend that the Chief Operations Officer require Track Management to define training and certification program requirements for each task performed by the unit, including the frequency for each course.	6/30/2017	
95	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	21	We recommend that the Chief Operations Officer require Track Management to bring inspectors current on all their training and re-certification requirements including refresher and welding courses.	3/31/2017	
96	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	22	We recommend that the Chief Operations Officer require Track Management to consider collaborating with ITS to determine whether Operations' existing OTTS system can be modified and used by Rail Instruction or implement and automated Track Training Management system to gain greater visibility of employee training records and data.	12/31/2017	
97	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	23	We recommend that the Chief Operations Officer require Track Management to consider making specialized areas such as welding a part of the Inspector's Job specification.	6/30/2017	
98	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	24	We recommend that the Chief Operations Officer require Track Management to consider acquiring a dedicated instructor for Track Maintenance to ensure all employees receive appropriate training.	7/31/2017	

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## Appendix E

OIG Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	1	Consider ways to proactively set up a system to identify all employees who require mandatory training, and notify the employees to sign up for the required classes.	3/31/2017	
2	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	2	Update the SharePoint database by: a. Reviewing the mandatory training classes listed in the SharePoint database to ensure that all mandatory training classes are annotated as "mandatory" in the database, and b. Periodic reviewing the database to ensure that the information listed is current and all mandatory training classes are annotated.	3/31/2017	
3	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	3	Update the Metro Policy on Training, HR 8-2, in accordance with General Management Policy GEN 5. <b>Update: Revised Policy is complete and awaiting comments and approval from other Strategic Business Units.</b>	8/31/2016	3/31/2017
4	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	4	Encourage managers and supervisors to review required training with their employees when reviewing the employee's performance and when preparing employee objective for the coming year. <b>Update: Plan to establish a training tracking system has been developed and is awaiting comments and approval from other Strategic Business Units.</b>	1/31/2016	3/31/2017
5	ITS	15-AUD-01 - Audit of Telephone Usage and Billings	10	Conduct a complete physical inventory of all data and voice circuits to verify the information in VeraSmart is correct.	11/30/2015	11/30/2016
6	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	2	The Metro System Safety and Law Enforcement Division should continue to monitor and track the various safety and security risks facing the Metro System, deploy personnel consistent with the information provided in this report, and make revisions in plans and operations as needed including deployment of personnel to mitigate these risks on an ongoing basis.	10/31/2016	
7	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	5	The Metro System Safety and Law Enforcement Division should consider the types of duties described in this report that might be performed by the Metro Security personnel to better define their roles, and work to resolve ongoing questions regarding the authority of Metro Security personnel within their confines, and the entity or agency responsible for granting and overseeing that authority.	12/31/2016	
8	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	6	The Metro System Safety and Law Enforcement Division should continue to work with local law enforcement agencies to identify the potential for no cost basic services. Also consider if paid dedicated service from these agencies is beneficial and manageable, and leverage these services as appropriate. Efforts should also be made to increase regular communication and education to promote collaboration and coordination.	12/31/2016	
9	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	8	The Metro System Safety and Law Enforcement Division should consider developing or acquiring and implementing a resource oversight and monitoring application for use on the smartphones currently used by Metro safety and security personnel. Metro should also consider identifying specific reporting requirements as input into the development of the new Computer Aided Dispatch (CAD) system by the LASD.	1/31/2017	
10	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	11	The Metro System Safety and Law Enforcement Division should use the information obtained through the Request for Proposal for law enforcement and security services, and identify the level of and approach to investigative and special operations services as part of the Rail and Bus Safety and Security Plans.	9/30/2016	
11	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	12	The Metro System Safety and Law Enforcement Division should use the information and options outlined in this report to develop a Request for Proposal for law enforcement and security services, and to develop a Critical Infrastructure Protection Plan.	10/31/2016	

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<b>OIG Open Audit Recommendations</b>						
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>	<b>Original Completion Date</b>	<b>Extended Completion Date</b>
12	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	13	The Metro System Safety and Law Enforcement Division should use the information and options outlined in this report to develop a Metro and Operations Security Plan.	10/31/2016	
13	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	14	The Metro System Safety and Law Enforcement Division should use the information obtained through the Transit Policing Division and Metro Security employee surveys to identify and address key issues.	9/30/2016	
14	Vendor / Contract Management	16-AUD-02 - Audit of Procurement Process for the Crenshaw/LAX Transit Corridor Contract	1	The Procurement Department should develop written procedures and process to validate (a) required professional licenses and certifications for "Key Personnel" specified in RFQ and RFP, and (b) document this validation in the contract files. This process should also include periodic validations whenever "Key Personnel" are replaced during the life of the project.	1/31/2017	
15	Finance & Budget	16-AUD-04 - Audit of Statutorily Mandated Audit of Miscellaneous Expenses Training and Seminars Accounts	2	The Office of Management and Budget will implement any appropriate revisions to Account 50213 in the Fiscal Year 2017 budget process.	4/31/2017	
16	Labor / Employee Relations	16-AUD-07 - Audit of Metro Business Travel Expenses	1	We recommend that Metro Travel Coordinator Advise Board deputies who travel for Metro business to obtain authorization from the Board Director to whom the deputy reports in accordance with Board of Directors Rules and Procedures. An email attached to the TA would be sufficient if it identifies acknowledgement of the full amount of the estimated travel expenses.	10/31/2016	

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# Management Audit Services Audit Charter

## I. INTRODUCTION

Los Angeles County Metropolitan Transportation Authority (MTA) maintains an active audit function under the direction of Deputy Chief Executive Officer (DCEO); with responsibility to report its activities to the Chief Executive Officer (CEO) and the Board. This charter defines the mission, scope, commitment to quality, authority and accountability, independence, and responsibility of MTA's audit department, Management Audit Services

## II. MISSION

Management Audit Services provides highly reliable, independent, objective assurance and consulting services designed to add value and improve MTA's operations. Management Audit Services accomplishes this by bringing a systematic, disciplined approach to evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

## III. SCOPE

The scope of work performed by Management Audit Services is to determine whether MTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, projects and objectives are achieved;
- Quality and continuous improvement are fostered;
- Significant legislative or regulatory issues impacting MTA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; and
- Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of management.

## IV. COMMITMENT TO QUALITY

Management Audit Services commits to providing world-class service through timely, unbiased, value-added assurance and consulting services. We will work as



**Metro**

## **Management Audit Services Audit Charter**

a team with our clients to improve processes and meet strategic goals and objectives. We will enhance the services we provide by continuously improving our audit activities. Management Audit Services adheres to the following professional standards and codes:

- Government Auditing Standards promulgated by the Comptroller General of the United States;
- Institute of Internal Auditors International Professional Practices Framework;
- Information Systems Auditing Standards promulgated by the Information Systems Audit and Control Association;
- MTA's Employee Code of Conduct and Administrative Code;
- Institute of Internal Auditor's Code of Ethics, and
- Management Audit Services' Audit Policy Manual and applicable procedures.

### **V. AUTHORITY AND ACCOUNTABILITY**

Management Audit Services audits all departments, programs, functions, systems, contracts and activities based on the approved audit plan or specific requests that have been approved by the CEO.

Management Audit Services is authorized to:

- Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. All employees will cooperate fully in making available material or information requested by Management Audit Services or any external auditors managed by Management Audit Services. Access to contracted third parties will be handled in accordance with contractual terms. Management Audit Services staff signs Confidentiality Statements annually. Documents provided to Management Audit Services will be handled in the same prudent manner as by those employees normally accountable for them;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audits are being performed, as well as other specialized services from external consultants.

Management Audit Services is not authorized to:

- Initiate or approve accounting transactions external to Management Audit Services and
- Direct the activities of any employee not part of Management Audit Services, except to the extent such employees have been appropriately assigned to auditing teams.



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# Management Audit Services Audit Charter

Management Audit Services, in the discharge of duties, is accountable to the DCEO, CEO and the Board of Directors to:

- Report significant issues related to the processes for controlling the activities, including potential improvements to those processes, and provide information concerning such issues through resolution; and
- Provide periodic information on the status and results of the annual audit plan and the adequacy of progress as it relates to management action plans.

## VI. INDEPENDENCE

Management Audit Services is independent of the activities it reviews. Specifically, Management Audit Services staff may not review areas where they were responsible for the design or operation of the area. Auditors are responsible for maintaining their independence and integrity in all services they provide.

All Management Audit Services activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Chief Auditor shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the DCEO, CEO and the Board.

As a means of ensuring independence, Management Audit Services will report to the DCEO, CEO and the Board of Directors. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits. The Board of Directors' will review and concur in the appointment, replacement or dismissal of the Chief Auditor of Management Audit Services.

## VII. RESPONSIBILITIES

### A. Management Audit Services is responsible for:

- Developing and executing a flexible risk based audit plan including any risks or control concerns identified by management; and submitting that plan to the CEO and Board of Directors for review and approval;
- Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan;
- Implementing the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management ;
- Reporting significant audit findings to management and the Board of Directors;



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## **Management Audit Services Audit Charter**

- Providing management with adequate time to respond to audit findings and including management's response in the final report;
- Following up on audits to ensure agreed-upon corrective actions have been taken and provide periodic follow up reports;
- Presenting quarterly reports to the Board highlighting progress on the Audit Plan;
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Conducting objective and constructive assurance services, which include performance and attestation audits;
- Consulting services, which are advisory in nature, can be provided as long as the services do not impair Management Audit Services' independence and fall within the scope outlined in the Charter;
- Exercising due professional care in all of our work products;
- Conducting ourselves at all times in a professional manner;
- Coordinating external audits of MTA;
- Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
- Referring suspected fraud, waste, or abuse promptly to the Inspector General.

### **B. Management is responsible for:**

- Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate and reliable;
- Complying with policies and procedures;
- Cooperating fully with auditors during discharge of their duties including prompt reply to Management Audit Services requests and recommendations; and
- Providing a response to audit findings and recommendations. Assuring timely implementation of agreed upon corrective action(s) to audit recommendations.

The Audit Charter may be modified by a written document executed by all of the participating parties. This Audit Charter will be effective upon execution and will continue indefinitely until it is modified.



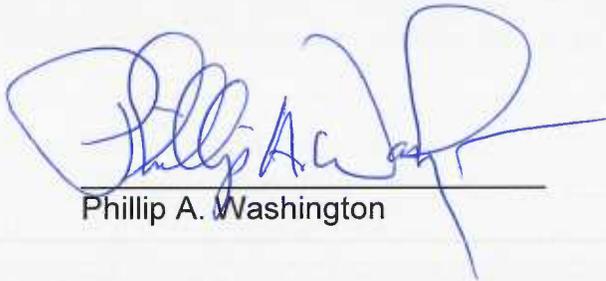
**Metro**

# Management Audit Services Audit Charter

IN WITNESS WHEREOF, the parties hereto have caused this Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of February 12, 2016.

Los Angeles County Metropolitan Transportation Authority

Board of Directors



Phillip A. Washington

By   
Board Secretary