Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
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Los Angeles, CA

Metro

Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 18, 2025

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2025 FOURTH QUARTER AND CUMULATIVE YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2025 Fourth Quarter and cumulative FY 2025 year-end report.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors (Board) that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities.

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2025 Fourth Quarter report covers the period from April 1, 2025, through June 30, 2025, and the cumulative FY 2025 year-end for the period from July 1, 2024, through June 30, 2025.

DISCUSSION

MAS provides audit services in support of Metro's ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit, Contract, Financial and Compliance Audit, and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, Strategic Financial Management, Planning and Development, Program Management, Information Technology, Customer Experience, Risk, Safety, and Asset Management, including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS' functional units provide assurance to the public that internal processes and programs are being managed efficiently,

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effectively, economically, ethically, and equitably and that desired outcomes are being achieved. This assurance is provided by MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, financial management, quality assurance, and audit support, including audit follow-up and resolution tracking.

The following summarizes MAS activity for FY 2025 Fourth Quarter and FY 2025 year ending June 30, 2025.

Performance Audits: Three audits were completed for the fiscal year, and ten were in progress.

Contract, Financial and Compliance Audits: 14 audits with a total expenditure value of $55 million were completed for the quarter. Fifty-three audits with a total expenditure value of $226 million were completed for the fiscal year, and 73 were in progress.

Other Audits: Three audits issued by external firms were completed for the quarter, and 152 audits were completed for the fiscal year.

Audit Follow-up and Resolution: Twenty-three recommendations were closed during the quarter, and 37 were closed for the fiscal year.

Note: MAS performs audit follow-up for the Office of Inspector General (OIG). From a report issued in the fourth quarter, one audit recommendation was closed, and the remaining 37 were under management review due to the complexity of the observations.

Department Highlights: During FY25, MAS successfully passed a triennial dual standards peer review conducted by the Association of Local Government Auditors, initiated reviews of two updated internal audit standards in support of MAS' quality improvement efforts, and hosted a regional training that brought together audit professionals from diverse backgrounds to learn from leading presenters within Metro.

The FY 2025 Fourth Quarter and Cumulative Year-End Report is included as Attachment A.

EQUITY PLATFORM

Management Audit Services' quarterly audit activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. For example, performance audits are selected with consideration of social, governance, environmental, and other relevant risks. In addition, audits of public-facing programs include discussions with program sponsors about how they incorporate equity into their program management. There are no known equity impacts or concerns associated with the audit services conducted during this period.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends

due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides information on audits in support of Metro's various projects and programs. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

**Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.*

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2025 Fourth Quarter and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will continue to report audit activity throughout the fiscal year.

ATTACHMENT

Attachment A - FY 2025 Fourth Quarter and Cumulative Year-End Report

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