



**Metro**

**SEPTEMBER 30, 2015**

**TO: BOARD OF DIRECTORS**

**THROUGH: PHILLIP WASHINGTON** *PAW*  
**CHIEF EXECUTIVE OFFICER**

**FROM: YVETTE SUAREZ** *Ys*  
**INTERIM CHIEF AUDITOR, MANAGEMENT AUDIT SERVICES**

**SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
JUNE 30, 2015**

**ISSUE**

At the March 2005 Executive Management and Audit Committee meeting, the committee requested that the status of all open audit recommendations be reported to them. The report includes audits performed by Management Audit and audits performed by outside auditors.

**DISCUSSION**

In the quarterly report Management Audit fulfills the request to report the corrective actions for all open audit recommendations related to findings report by Operations, Planning and Development, Information/Technology, Finance/Administration, Engineering Construction, Vendor/Contract Management, Executive Office, and other funded agencies.

During the fourth quarter of FY15 twelve recommendations were added and fifteen recommendations from previous audits were closed. The total open recommendations as of June 30, 2015 are included in attachment A.

We are actively working with staff to close each recommendation as quickly as possible. Any findings that have not been corrected 90 days after the due date are reported as late.

**NEXT STEPS**

Management Audit Services will provide the next quarterly status report for the period ending September 30, 2015.

Attachment A: Open Audit Recommendations Report

**Table 1**  
**Summary of MAS and External Audit Recommendations**  
**as June 30, 2015**

<b>Executive Area</b>	<b>Closed or Completed During Q4</b>	<b>Late</b>	<b>Extended</b>	<b>Not Yet Due/Under Review</b>	<b>Total Open Recommendations</b>
<b>Engineering and Construction</b>				<b>4</b>	<b>4</b>
<b>Executive Office</b>					<b>0</b>
<b>Finance and Administration</b>	<b>1</b>				<b>0</b>
<b>Information Technology</b>				<b>7</b>	<b>7</b>
<b>Operations</b>			<b>11</b>	<b>3</b>	<b>14</b>
<b>Planning and Development</b>	<b>13</b>		<b>18</b>		<b>18</b>
<b>Vendor/Contract Management</b>	<b>1</b>			<b>3</b>	<b>3</b>
<b>Totals</b>	<b>15</b>		<b>29</b>	<b>17</b>	<b>46</b>

**All Current Audit Recommendations  
June 30, 2014**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Finding/Corrective Action	Original Completion Date	Extended Completion Date
1	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	1	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Implement the cumulative method for calculating running time analyses and calibrate operational Layover/Recovery pending implementation of Hastus 2014 upgrade and merging of APC and AVL dataset	6/30/2016	12/31/2016
2	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	2	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Require Giro to focus training efforts on ATP features	6/30/2016	12/31/2016
3	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	3	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Assess the cost/benefit of customizing the current ATP module, pending availability of the APC and AVL dataset prior to Hastus 2014 upgrade.	6/30/2016	12/31/2016
4	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	4	Ineffective use of Minibus optimization module in creating vehicle schedules: Scheduling will define the operation minimum layover time based on the results of the run time analyses.	6/30/2016	12/31/2016
5	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	5	Ineffective use of Minibus optimization module in creating vehicle schedules: Scheduling will look for additional interlining opportunities that are "streetable".	6/30/2016	12/31/2016
6	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	6	Ineffective use of Minibus optimization module in creating vehicle schedules: Scheduling will review and update the deadhead matrix to support new and existing interlining solutions.	6/30/2016	12/31/2016
7	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	7	Ineffective use of Minibus optimization module in creating vehicle schedules: Scheduling will update Hastus to allow for a mix of vehicle types after a review the route infrastructure to ensure/certify the type of vehicles that can operate on a particular line.	6/30/2016	12/31/2016
8	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	8	Ineffective use of Minibus optimization module in creating vehicle schedules: Scheduling will require Giro to provide additional training on MinBus	6/30/2016	12/31/2016
9	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	11	Ineffective use of CrewOpt optimization module in creating crew schedules: Scheduling will require Giro to perform additional training on new rules for multi-division operator run cutting in Hastus.	6/30/2014	12/31/2016
10	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	12	Ineffective use of CrewOpt optimization module in creating crew schedules: Scheduling will adopt integrated scheduling to improve run cut efficiency.	6/30/2014	12/31/2016
11	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	13	CrewOpt not used for rail crew schedule: Scheduling will transition to HASTUS for scheduling rail service. A plan should be developed to include transition milestones and estimated completion dates.	6/30/2016	12/31/2016
12	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed-Upon Procedures	Planning & Development	13-03	Insufficient controls over review of samples for transposing errors: The Authority has implemented several short term solutions including an additional reviewer and formula testing process to identify conflicts for correction in advance of data reporting. The procurement process of an electronic vanpool operator reporting system, the long-term solution, is underway. As a result of the short-term corrective actions this was not a repeat finding in the subsequent year.	6/30/2015	6/30/2017
13	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed-Upon Procedures	Planning & Development	13-04	Insufficient controls over reporting of NTD data: The Authority has implemented several short term solutions including an additional reviewer and a formula testing process identify conflicts for correction in advance of data reporting. The procurement process of an electronic vanpool operator reporting system, the long-term solution, is underway. As a result of the short-term corrective actions this was not a repeat finding in the subsequent year.	6/30/2015	6/30/2017
14	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	4	The use of grant tracking and reporting systems for the RGM unit could be improved to document existing procedures to improve internal control and oversight of grantees/sub-recipients. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop, monitor and periodically update unit policies and procedures.	6/30/2015	6/30/2016
15	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	5	The use of grant tracking and reporting systems for the RGM unit could be improved to identify activities at high risk for error and non-compliance. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop, monitor and periodically update unit policies and procedures.	6/30/2015	6/30/2016

**All Current Audit Recommendations  
June 30, 2014**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Finding/Corrective Action	Original Completion Date	Extended Completion Date
16	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	7	The RGM Unit grant tracking and reporting systems require improvement and should proceed with development of grants management module in FIS. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop and maintain a new grants tracking and reporting system.	12/31/2015	12/31/2016
17	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	8	The RGM Unit grant tracking and reporting system require improvement and should coordinate FIS module development with a more comprehensive grants management database system. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop and maintain a new grants tracking and reporting system.	12/31/2015	12/31/2016
18	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	9	The RGM Unit grant tracking and reporting systems require improvement and should inventory and evaluate current "shadow systems" to help determine project manager requirements. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop and maintain a new grants tracking and reporting system.	12/31/2015	12/31/2016
19	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	10	The RGM Unit grant tracking and reporting systems require improvement and should develop protocols on who can update the data and how often. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop and maintain a new grants tracking and reporting system.	12/31/2015	12/31/2016
20	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	11	The RGM Unit grant tracking and reporting systems require improvement and should develop a high-level summary of grants for Metro executive staff and Board members. The Chief Planning Officer will seek budget authority to hire staff and consultant assistance to develop and maintain a new grants tracking and reporting system.	12/31/2015	12/31/2016
21	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	12	The RGM Unit organizational structure requires improvement and should consider revising its organizational structure. RGM will work with the Chief Planning Officer to review RGM's organizational structure. The Chief Planning Officer will seek budget authority to hire consultant assistance for this review and hire additional staff to implement organizational changes as needed based on the review.	6/30/2015	6/30/2016
22	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	13	The RGM Unit organizational structure requires improvement and should consider developing teams surrounding each of their key elements. RGM will work with the Chief Planning Officer to review RGM's organizational structure. The Chief Planning Officer will seek budget authority to hire consultant assistance for this review and hire additional staff to implement organizational changes as needed based on the review.	6/30/2015	6/30/2016
23	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	19	The grant close-out process could be improved by developing a process to ensure implementation of timely and appropriate corrective actions. RGM will work with the grants tracking database consultant to consider adding functionality that will monitor grant/loan active and close-out status, and generate reports accordingly.	6/30/2015	12/31/2016
24	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	20	The grant close-out process could be improved by designating an individual to serve as the grant closeout liaison. RGM will work with the grants tracking database consultant to consider adding functionality that will monitor grant/loan active and close-out status, and generate reports accordingly. This recommendation is currently being implemented.	6/30/2015	12/31/2016
25	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	21	The grant close-out process could be improved by creating a tool, such as an aging report, to enable to liaison to quickly identify critical events. RGM will work with the grants tracking database consultant to consider adding functionality that will monitor grant/loan active and close-out status, and generate reports accordingly.	6/30/2015	12/31/2016
26	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	24	Grants originating outside of the RGM unit and CFP process need better coordination and should establish a procedure to coordinate all grants within the agency. Management concurs with the finding and recommendations, and will try to establish a procedure to coordinate all grants within the agency through RGM. We intend on having the procedure communicated to all agency units/departments through interoffice memo.	6/30/2015	7/31/2015
27	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	26	Project Manager succession planning should be considered. We will consider succession planning activities with the assistance of consultants, and believe that the management responses to Findings 3, 4 and 5 will support this effort for RGM and will address Recommendations 26, 27 and 28. Additional information is needed to determine whether implementation of Recommendations 29 and 30 is appropriate; therefore no actions can be proposed in response at this time.	6/30/2015	6/30/2016

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28	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	27	Project Manager Succession Planning Should Be Considered whereby a greater number of team members are trained across a wider spectrum of activities. We will consider succession planning activities with the assistance of consultants, and believe that the management responses to Findings 3, 4 and 5 will support this effort for RGM and will address Recommendations 26, 27 and 28.	6/30/2015	6/30/2016
29	13-PLN-P01	6/30/2014	MAS	Grants Management and Call for Projects	Planning & Development	28	Project Manager Succession Planning Should Be Considered including established formal training with consistent processes. We will consider succession planning activities with the assistance of consultants, and believe that the management responses to Findings 3, 4 and 5 will support this effort for RGM and will address Recommendations 26, 27 and 28.	6/30/2015	6/30/2016
30	12-HCP-P01	9/4/2014	MAS	Metro Freeway Service Patrol	Vendor and Contract Management	3	Inadequate program management oversight; should upgrade the data collection system. The FSP Communication/Data Collection system is being upgraded to automatically create the necessary reports as well as supervise certain aspects of the drivers' activity by May 2016.	5/30/2016	
31	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	1	Noncompliance with contract terms and conditions: determine total amount of mischarged grant expenses. A corrective action will be provided once the new management of Metrolink is briefed on this issue.	6/30/2015	
32	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	2	Noncompliance with contract terms and conditions: determine which portions of the American Disabilities Act work was necessary. A corrective action will be provided once the new management of Metrolink is briefed on this issue.	6/30/2015	
33	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	3	Noncompliance with contract terms and conditions: develop appropriate internal controls. A corrective action will be provided once the new management of Metrolink is briefed on this issue.	6/30/2015	
34	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	4	Noncompliance with grant terms and conditions. Complete the implementation of Oracle R.12 including a Grants Management module.	6/30/2015	
35	14-ADM-P01	4/30/2015	MAS	Mobile Devices	Information Technology	1	Governance process for mobile devices can be improved by segregating duties. Will implement a new inventory tracking process and document procedures.	9/30/2015	
36	14-ADM-P01	4/30/2015	MAS	Mobile Devices	Information Technology	2	Governance process for mobile devices can be improved by implementing Mobile Device Management Software. ITS will implement appropriate software.	9/30/2015	
37	14-ADM-P01	4/30/2015	MAS	Mobile Devices	Information Technology	3	Governance process for mobile devices can be improved by expanding Device and Service policies and procedures. ITS will update their policies and procedures.	9/30/2015	
38	14-ADM-P01	4/30/2015	MAS	Mobile Devices	Information Technology	4	Governance process for mobile devices can be improved by implementing a device management platform. ITS will implement Mobile Device Management software	9/30/2015	
39	14-OPS-P03	6/30/2015	MAS	Operations Training Tracking System (OTTS)	Information Technology	1	Inadequate management of user's Access Accounts-accounts are not disabled in a timely manner. The process will be changed from weekly to daily and a more timely process will be developed to remove users' access.	9/30/2015	
40	14-OPS-P03	6/30/2015	MAS	Operations Training Tracking System (OTTS)	Information Technology	2	Inadequate management of user's Access Accounts-system owners do not have information to validate accounts A plan to better address the administration of access controls will be developed	11/30/2015	
41	14-OPS-P03	6/30/2015	MAS	Operations Training Tracking System (OTTS)	Information Technology	3	Inadequate management of user's Access Accounts-users do not have a specific user identity. A feasibility study to develop an Enterprise Identity Management Solution will be performed.	3/30/2016	
42	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Finance & Administration	1	Insufficient controls over reporting of NTD data. The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetic errors in the calculation used for FTA reporting.	9/30/2015	
43	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Finance & Administration	2	Insufficient review over reporting of NTD data for vehicle revenue miles. The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetic errors in the calculation used for FTA reporting.	9/30/2015	

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44	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Finance & Administration	3	Insufficient review over reporting of NTD data for contracted expenditures. The Authority will consider increasing its existing review procedures to specifically address any transposition and arithmetic errors in the calculation used for FTA reporting.	9/30/2015	
45	SAR-KPMG-FY14	12/19/2014	KPMG	Single Audit Reports	Vendor and Contract Management	1	Insufficient controls over monitoring of Davis-Bacon Act compliance. The Labor compliance unit monitors 85% of the active projects manually; these projects were awarded prior to the online system implementation. DEOD alerts the Prime contractors of their failure to comply by sending "Notices of Non-Compliance", phone calls, and emails. As a secondary measure, DEOD will issue task orders to Metro's Labor Compliance Bench, on those trouble projects to ensure compliance with the Davis-Bacon Act provisions.	9/30/2015	
46	SAR-KPMG-FY14	12/19/2014	KPMG	Single Audit Reports	Vendor and Contract Management	2	Insufficient controls over compliance to procurement requirements. The LACMTA's Vendor/Contract Management Department (VCM) has recently completed a reorganization which will provide additional management oversight. In addition, as of June 30, 2014, VCM issues regular Compliance Bulletins to ensure procurement staff is informed of changes to the Procurement Policy and Procedures. In January 2015, VCM began conducting mandatory monthly training and information sessions of various procurement topics.	9/30/2015	