



**Metro**

**JANUARY 05, 2016**

**TO: BOARD OF DIRECTORS**

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

**FROM: DIANA ESTRADA** *DEE*  
**CHIEF AUDITOR, MANAGEMENT AUDIT SERVICES**

**SUBJECT: STATUS OF AUDIT RECOMMENDATIONS AS OF  
SEPTEMBER 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 this report Management Audit fulfills the request to report the corrective actions for all open audit recommendations related to findings for Metro Operations, Planning and Development, Information Technology, Finance and Budget, Program Management, Vendor/Contract Management, Labor/Employee Relations, Executive Office, and other funded agencies.

During the first quarter of FY16 thirteen recommendations were added and eight recommendations from previous audits were closed. The total open recommendations as of September 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 December 31, 2015.

Attachment A: Open and Extended Audit Recommendations Report  
Attachment B: Closed Audit Recommendations Report

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

<b>Executive Area</b>	<b>Closed or Completed During Q1</b>	<b>Late</b>	<b>Extended</b>	<b>Not Yet Due/Under Review</b>	<b>Total Open Recommendations</b>
<b>Program Management</b>	<b>4</b>				
<b>Labor/Employee Relations</b>				<b>7</b>	<b>7</b>
<b>Finance and Budget</b>	<b>1</b>				
<b>Information Technology</b>	<b>1</b>		<b>4</b>	<b>2</b>	<b>6</b>
<b>Metro Operations</b>			<b>11</b>	<b>8</b>	<b>19</b>
<b>Planning and Development</b>			<b>18</b>		<b>18</b>
<b>Vendor/Contract Management</b>	<b>2</b>			<b>1</b>	<b>1</b>
<b>Totals</b>	<b>8</b>	<b>0</b>	<b>33</b>	<b>18</b>	<b>51</b>

Open and Extended Audit Recommendations Report  
FY16 Q1

ATTACHMENT A

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 Minbus 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 Minbus 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 Minbus 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 Minbus 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 Minbus optimization module in creating vehicle schedules: Scheduling will require Giro to provide additional training on MinBus	6/30/2016	12/31/2016

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No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Finding/Corrective Action	Original Completion Date	Extended Completion Date
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

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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

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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	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	11/15/2015
32	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	12/31/2015
33	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	2/29/2016
34	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	2/29/2016

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35	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	
36	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	
37	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Operations	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	
38	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Operations	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	
39	NTD-KPMG-FY14	1/23/2015	KPMG	Transportation Operating Agency - 9154	Operations	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	
40	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Operations	1	No methodology to determine optimum fleet size. Management agrees with the recommended actions and will complete a one-time fleet analysis by November 2015.	11/30/2015	
41	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Operations	2	No methodology to determine optimum fleet size. Management agrees with the recommended actions and will complete annual vehicle usage reviews and continue to monitor vehicles for underutilization and reassignment, as necessary.	11/30/2015	
42	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Operations	3	Noncompliance with IRS regulations. Non-Revenue agrees with the recommendations and will work with Executive management to make the necessary revisions to the GEN 16 policy to clarify policy criteria and language in order to promote compliance with IRS taxable income reporting requirements. In addition, we will modify the Commuter Mileage form to include a Dept./CC Manager certification.	12/31/2015	



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43	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Operations	4	Noncompliance with IRS regulations. Non-Revenue agrees with the recommendations and will work with Executive management to make the necessary revisions to the GEN 16 policy to clarify policy criteria and language in order to promote compliance with IRS taxable income reporting requirements.	12/31/2015	
44	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Operations	5	Noncompliance with IRS regulations. Non-Revenue agrees with the recommendations and will work with General Services to customize the M3 Motor Pool application to improve its functionality to track and report overnight usage for all departmental pools.	11/30/2015	
45	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	6	Noncompliance with IRS regulations. General Services agrees with the recommendation and will hold a meeting with Information Technology and Non-Revenue to discuss each department's system needs and the system capabilities for the M3 Motor Pool application.	9/30/2015	
46	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	7	Uncontrolled key card assignments to Gateway Parking Garage. General Services agrees with the recommendations and will cancel all unknown key card assignments.	9/30/2015	
47	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	8	Uncontrolled key card assignments to Gateway Parking Garage. General Services agrees with the recommendations and will develop procedures to recertify key card assignees.	3/31/2016	
48	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	9	Uncontrolled key card assignments to Gateway Parking Garage. General Services agrees with the recommendations and will review and update GEN 17 to include specific guidelines for the assignment and use of complementary key cards to the Gateway Parking Garage.	6/30/2016	
49	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	10	Noncompliance with Policy. General Services agrees with the recommendations and will review long term reservations of pool vehicles and notify employees whose job description states they are On-call that they are not eligible to use General Services' pool vehicles to commute to and from work, and/or for overnight usage. Communication will be made through department management.	9/30/2015	
50	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	11	Noncompliance with Policy. General Services agrees with the recommendations and will request that Non-Revenue include the Rideshare Program Administrator in distribution list of all 24-hour assignments in order to comply with GEN 16.	12/31/2015	
51	13-OPS-P02	8/11/2015	MAS	Non-Revenue Vehicle Usage	Labor / Employee Relations	12	Noncompliance with Policy. General Services agrees with the recommendations and will provide TCU / Maintainers with general training including, navigation of M3 system and GEN 16 requirements on overnight usage.	12/31/2015	

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1	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 . Amounts can no longer be determined. However, additional controls have been implemented to prevent non-compliance.	6/30/2015	
2	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	2	Noncompliance with contract terms and conditions: determine total amount of mischarged grant expenses . Amounts can no longer be determined. However, additional controls have been implemented to prevent non-compliance.	6/30/2015	
3	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	3	Noncompliance with grant terms and conditions. Completed the implementation of Oracle R.12 including a Grants Management module.	6/30/2015	
4	11-MET-F01	12/31/2014	MAS	Metrolink Use of TAP Funds	Engineering and Construction	4	Noncompliance with grant terms and conditions. Completed the implementation of Oracle R.12 including a Grants Management module.	6/30/2015	
5	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 issued task orders to Metro's Labor Compliance Bench, on those trouble projects to ensure compliance with the Davis-Bacon Act provisions.	9/30/2015	
6	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 (V/CM) has recently completed a reorganization which will provide additional management oversight. In addition, as of June 30, 2014, V/CM issues regular Compliance Bulletins to ensure procurement staff is informed of changes to the Procurement Policy and Procedures. In January 2015, V/CM began conducting mandatory monthly training and information sessions of various procurement topics.	9/30/2015	
7	14-ADM-P01	4/30/2015	MAS	Mobile Devices	Information Technology	1	Governance process for mobile devices can be improved by segregating duties. Implemented a new inventory tracking process and document procedures.	9/30/2015	
8	10-ACC-F04	7/17/2015	MAS	Chart of Accounts	Finance & Administration	1	Misclassification of expenses in Miscellaneous Account. The Director of Accounting now ensures that the General Accounting staff continue to assess the nature of the transactions for expense classification, and that the Accounting Supervisors and Managers continue to perform sufficient review on each and every manual and recurring journal entry for accuracy and reasonableness.	7/30/2015	