

**Los Angeles County  
Metropolitan Transportation Authority  
Office of the Inspector General**

---

**Audit of Controls Over  
Metro's Equipment Management System**

---

**Report No. 21-AUD-07**

**June 10, 2021**



# **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	1
OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT .....	1
BACKGROUND .....	3
RESULTS OF AUDIT .....	4
1. Some Capital Equipment Assets Could Not Be Located during FY20 Biennial Certification.....	4
2. \$2.8 Million Equipment Assets Were Found Scrapped and Never Used.....	7
3. Equipment Assets Not Fully Depreciated Were Retired/Scrapped .....	8
4. Retirement of Equipment Assets Was Not Properly Identified and Recorded....	11
5. Equipment Database Was Not Updated Timely.....	12
6. Invoice for Maintenance of a Capital Equipment Asset Was Overpaid.....	13
7. An Operating Expense Was Incorrectly Recorded as a Capital Expenditure.....	14
8. Depreciation Was Not Reported in the Proper Period due to Delayed Transfer of a Project to Capital Asset.....	14
OBSERVATION.....	15
CONCLUSION.....	15
RECOMMENDATIONS.....	16
MANAGEMENT COMMENTS TO RECOMMENDATIONS .....	17
OIG EVALUATION OF MANAGEMENT RESPONSE .....	17
ATTACHMENTS	
A. Management Comments to Draft Report.....	18
B. Final Report Distribution .....	30



**Metro**

**DATE:** June 10, 2021

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

**FROM:** Yvonne Zheng, Senior Manager, Audit  
Office of the Inspector General

**SUBJECT:** Final Report on Audit of Controls over Metro's Equipment Management System  
(Report No. 21-AUD-07)

## INTRODUCTION

The Office of Inspector General (OIG) performed an audit of Metro's internal controls over capital equipment. This audit was conducted to assist Metro to improve its internal control system over capitalized equipment to deter fraud, waste, and abuse and in support of Metro's core business goal to provide responsive, accountable, and trustworthy governance within the Metro organization.

Based on Metro's Accounting Procedures and Guidelines for Capital Expenditures (ACC 14), "*capital assets are assets that 1) are used in operations and 2) have initial useful life in excess of one year. Capital assets embrace both tangible assets (land, building, building improvements, vehicles, machinery, equipment, infrastructures) and intangible assets (easements, goodwill, software).*" A capital asset may be a system, software, or physical property. When the purchase of an asset does not meet the \$5,000 threshold individually, a group purchase of similar items amounting to \$100,000 or more resulting in a cost of at least \$500 per unit, will be capitalized as a group asset.

For the purpose of this audit, equipment refers to capitalized equipment assets, which are carried at cost and depreciated using the straight-line method based on the estimated useful life of the assets ranging from five to ten years.

Federal Transit Administration (FTA) Circular 5010.1E states, "*Equipment means all tangible, nonexpendable, personal property that has a useful life of more than one year and an acquisition cost that exceeds the local capitalization threshold.*"

## OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The overall objective of the audit was to evaluate the adequacy and effectiveness of internal controls and procedures over Metro Equipment. Specifically, the objectives of the audit were to determine whether capital equipment assets:

## Audit of Controls over Metro's Equipment Management System

Office of the Inspector General

Report No. 21-AUD-07

- are recorded in accounting, physically exist, and Metro has the legal title or similar rights of ownership;
- are appropriately protected and safeguarded;
- additions are recorded correctly as to account, amount, and period;
- retirements, trade-ins, and idle assets are promptly identified and recorded correctly as to account, amount, and period;
- that are held for resale are identified and classified separately from capital equipment currently used in operations; and
- depreciation calculations are made and allocated using proper estimated useful lives and methods that are consistently applied.

To achieve the above audit objectives, we gained an understanding of Metro's management control processes in additions, recording and tracking, depreciation and disposing of equipment assets. We reviewed applicable policies and procedures and interviewed Metro personnel in Accounting, Logistics, Information Technology Services (ITS), Operations and other departments. We also reviewed and analyzed reports received from various departments, examined invoices, memos, and other supporting documents. In addition, we performed virtual inspection of sampled capital equipment.

This audit covered a review of equipment classified and recorded as capital assets as of June 30, 2020. Based on Metro's FY20 Comprehensive Annual Financial Report (CAFR), equipment totaled \$74.8 million as of June 30, 2020, net of accumulated depreciation of \$368.1 million. Additions to equipment during the fiscal year ended June 30, 2020 amounted to \$39.7 million, as shown in Table 1.

**Table 1: Additions to Equipment FY20**

Category	Amount
Communication Equipment	\$ 2,375,294
Computer Equipment	4,416,920
Data Pro Equipment and Software	5,452,058
Fare Revenue Equipment	15,611,800
Shop Equipment - Industrial	6,984,199
Surveillance Camera	4,009,451
Others	884,808
<b>Total Additions FY20</b>	<b>\$ 39,734,530</b>

*Source: Extracted from Metro Accounting data*

For equipment additions in FY20, we selected 37 transactions totaling \$31 million, about 78%, to perform detail testing. We verified all equipment assets that were retired in FY20 for a total amount of \$85,000.

## Audit of Controls over Metro's Equipment Management System

Office of the Inspector General

Report No. 21-AUD-07

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

### BACKGROUND

Los Angeles County Metropolitan Transportation Authority (LACMTA or Metro) is the second largest transportation agency in the nation and serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest, most populous counties. Metro currently controls and utilizes various capital assets in its projects, programs, and operations. Metro reports its capital assets in its Statement of Net Position in the Comprehensive Annual Financial Report (CAFR). As disclosed in its FY20 (July 1, 2019 – June 30, 2020) CAFR, total capital assets have a balance of approximately \$16.5 billion, of which the balance of equipment, net of accumulated depreciation, is approximately \$74,812,000.

Los Angeles County Metropolitan Transportation Authority						
Capital Assets (Net of accumulated depreciation)						
	Business-type	Activities	Governmental Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,604,911	\$ 1,550,403	\$ 749,417	\$ 749,417	\$ 2,354,328	\$ 2,299,820
Buildings & improvements	5,440,029	5,795,855	—	—	5,440,029	5,795,855
Equipment	74,812	66,898	—	—	74,812	66,898
Vehicles	1,514,734	1,381,207	—	—	1,514,734	1,381,207
Construction in progress	7,819,202	6,152,748	—	—	7,819,202	6,152,748
Total Capital Assets	\$ 16,453,688	\$ 14,947,111	\$ 749,417	\$ 749,417	\$ 17,203,105	\$ 15,696,528

Source: FY20 Metro CAFR, Amount in Thousands

According to Metro's Capital Assets Policies and Procedures, Metro capital assets including equipment are managed by the Projects, Grants & Capital Assets Unit of the Accounting Department, which is responsible for accurate and timely recording of equipment in Metro's accounting records based on the information provided by cost centers.

The Equipment Asset Tracking Unit of the Logistics Department has established standard procedures to identify, track and report the location, condition and status of capital assets that meet the defined criteria for such assets as stated in the FTA Circular 5010.1E. Metro performs biennial inventories of capitalized equipment as defined and required by the Federal Transit Administration (FTA). The Equipment Asset Tracking Unit of the Logistics Department coordinates and administers each inventory event, where asset owners are required to locate each asset, assess its status, and certify the results.

The Information Technology Services department developed the Information Technology Asset Management (ITAM) Program that governs the acquisition, deployment, utilization, maintenance and disposal of all information technology (IT) assets.

# Audit of Controls over Metro's Equipment Management System

Office of the Inspector General

Report No. 21-AUD-07

## RESULTS OF AUDIT

Based on our review of Metro management control processes in equipment addition, recording and tracking, depreciation and disposal, we found that Metro has adequate controls over its equipment management system. However, the audit disclosed the following eight (8) findings that warrant Metro management attention and improvement:

### 1. Some Capital Equipment Assets Could Not Be Located during FY20 Biennial Certification.

Federal Transit Administration (FTA) Circular 5010.1E requires that *“a physical inventory of the equipment must be taken and the results reconciled with equipment records at least once every two years. Any differences must be investigated to determine the cause of the difference.”*

Further, FTA requires that *“a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of federally assisted property. The recipient must investigate and document any loss, damage, or theft.”*

Metro conducted the Biennial Equipment Inventory in 2020. We reviewed the Equipment Inventory forms submitted by the asset owners and found that nine divisions reported a total of 62 out of 308, or 20% of equipment assigned to them was reported lost or could not be located, as shown in Table 2 below. This corresponds to 7% of the total 945 equipment listed on Logistics records.

**Table 2: Lost Equipment**

Division	Lost Equipment	Cost	Year Put in Service	No. of Lost Equipment	No. of Equipment Assigned	% of Lost Equipment
9	Portable Lifts ***	\$ 15,378	2001	3	22	14%
18	Auto Floor Scrubber & Portable Lifts	\$ 10,316	2017	5	37	14%
20	Ride On Floor Scrubber	\$ 25,406	2012	1	30	3%
22	Server & Surveillance	\$ 63,161	2007 / 2009	2	8	25%
30	Portable Lifts (32) & Tester	\$ 446,052	2007 / 2008	33	157	21%
60	Radio	\$ 31,045	2008	2	22	9%
61-A	Frequency Converter ***	\$ 5,990	2015	1	11	0%
61-B	Frequency Converter, Surveillance Cameras (3), UPS (2), etc. ***	\$ 306,332	2006 - 2010	8	14	57%
62	Industrial Ethernet ***	\$ 62,762	2017	4	4	100%
99	Network Computer/Servers (2) & Video Connector	\$ 417,046	2016 - 2017	3	3	100%
<b>TOTAL</b>		<b>\$ 1,383,488</b>		<b>62</b>	<b>308</b>	<b>20%</b>

Source: Equipment Inventory Forms and Capital Assets Subledger

*\*\*\* Found all or some of the equipment upon our inquiry. See letter a below.*

*Note: Division 61 submitted three certification forms and two out of three asset owners reported lost equipment.*

Following are the results of our review of the Biennial Certification forms submitted to Logistics by the asset owners:

**a. Equipment Reported Lost but Later Found in Other Divisions**

Upon our inquiry and request to check for the missing equipment, the asset owners of the following divisions searched for the missing items and were able to find the equipment they previously reported lost or cannot be located.

- Division 9 – Found all three portable lifts in Division 1
- Division 61-A- Found the equipment in Division 64
- Division 61-B - Found six out of eight equipment listed in Divisions 63 and 64
- Division 62 – Found two out of four equipment listed in Division 64 and La Cienega Station

We noted that the equipment moved to other divisions were not reported in the Equipment Tracking Forms as “additions” to the list of the receiving divisions. The recipient should inform Logistics to enable them to update the records accordingly.

Some of the reasons given by the asset owners for lost items were as follows:

- Equipment might have been taken out of service in the prior years
- No records of equipment in 2016 and 2018 inventory
- May have been disposed several years ago but not reported properly by prior management
- Might have been scrapped since equipment was obsolete and no longer being used
- Location demolished and equipment might have “landed” somewhere else

Others did not give a reason for their missing equipment. One of the asset owners acknowledged that they do need to improve controls over tracking their equipment.

Staff did not investigate to determine whether the missing items were transferred or moved to other locations until we advised them that we are conducting an audit and inquired about lost equipment. Unless asset owners investigate and report correctly the status of items not found, Logistics cannot update the equipment inventory database and cannot accurately report equipment status to Accounting.

The reported lost equipment was removed from Capital Assets Subledger and Logistics records, including the ones which were eventually found in other locations, resulting in an understatement of assets in the accounting records.

Based on our discussion with Logistics, asset owners are responsible to inform them of the status of their respective equipment. Based on the Equipment Inventory and Certification Guidelines (GEN 50), *“any missing assets will be documented and investigated by the asset owner/delegate who will be responsible for completing the equipment survey form.”*

In our prior audit report Equipment Inventory Procedures (Report No. 07-AUD-03 dated April 3, 2007, we recommended that Logistics (formerly Material Management) re-emphasize to asset owners that they are required to investigate missing items (that is, determine whether the item was transferred, moved, salvaged, or lost). Logistics conducted training sessions on equipment tracking in 2008 in response to this issue.

Currently, Logistics conducts training to capital equipment asset owners before the start of the Biennial Equipment Asset Inventory Certification. The training provides instructions on how to conduct the inventory and outline the responsibilities and administrative tasks necessary to track, control, reconcile, and certify Metro's capital equipment. The training is also provided to help asset owners understand the Equipment Tracking Program.

Asset owners should search diligently for missing equipment and not simply report lost items if they cannot find them. Logistics should update their records for the equipment previously reported lost but eventually found during this audit enabling them to monitor the said equipment.

**b. Movement of Equipment Not Reported on Biennial Certification Forms**

As discussed above, the reporting departments did not notify Logistics when equipment was transferred to another location or division. Further, the equipment received by other divisions was not reported on their Equipment Inventory forms when they received said equipment.

**c. Lost Equipment with Net Book Value**

We found that six of the lost equipment, across three divisions/locations, had only been used for three to four years and had a net book value of \$158,753 as of June 30, 2020 (see Table 3).

The asset owners indicated the following reasons for loss on the Equipment Survey Forms submitted to Logistics:

Division 18: Searched the property multiple times but the equipment cannot be located.

Division 62: Originally reported four lost equipment but later found two, as discussed above in Finding number 1a. The asset owner cannot locate the other two.



## Audit of Controls over Metro's Equipment Management System

Office of the Inspector General

Report No. 21-AUD-07

Division 99: The items were purchased and installed by former System Security and Law Enforcement (SSLE) staff but cannot be located.

**Table 3: Lost Equipment with Net Book Value**

Division / Location	Asset Owner	Description of Equipment	No. of Lost Equipment with NBV as of 6/30/2020	Year Put in Service	NBV of Lost Equipment as of 6/30/2020
18	Senior Director, Central Maintenance	Portable Steamer	1	2017	\$ 6,963
62	Rail Communications Supervisor	Industrial Ethernet Switch	2	2017	13,598
99	Manager, Physical Security Programs	Servers, Video Connector	3	2016 & 2017	138,192
<b>Total</b>			<b>6</b>		<b>\$ 158,753</b>

*Source: Equipment Inventory Forms and Capital Assets Subledger*

All assets above have an estimated useful life of five years. It is important to keep track of the equipment to ensure its maximum use.

### 2. \$2.8 Million Equipment Assets Were Found Scrapped and Never Used.

Based on the Equipment Inventory form for FY20 from Division 62, 132 monitors were scrapped in October 2019. Our audit found that the monitors/digital signage, which were purchased in December 2015 for \$2.8 million, were never used or installed.

According to the Senior Manager and Deputy Executive Officer, Wayside Systems Engineering and Maintenance, the procurement was initiated by former Project Managers from Security System and Law Enforcement (SSLE) who obtained funding to upgrade the Transit Passenger Information System for the Blue and Green Lines. The Project Managers no longer work at Metro now. The monitors cost \$26,000 each for double-sided full color LED display and \$14,000 each for single-sided, inclusive of tax.

The monitors did not work when Division 62 tried to install the two samples. The former Project Managers asked the vendor if they can help with the installation but was advised labor was not included in the Purchase Order and Metro will incur additional cost to help with installation.

In March 2018, the Senior Director, Project Engineering of Rail Maintenance of Way (MOW) Engineering coordinated with the vendor to obtain a full set of documentation for the subject equipment, but was unsuccessful using the monitors.

In October 2018, the current DEO who was newly hired that year, presented to SSLE the assessment study initiated by the Director at the time. The study recommended to forego installation based on the results of the performance testing conducted, as well as the risk and cost involved. The decision to scrap the equipment was made by SSLE leadership in agreement with the MOW Engineering personnel.

The monitors were scrapped in October 2019, almost four years after they were purchased. The paperwork for the disposal of the equipment was prepared by the Project Manager, SSLE. However, the incorrect form was submitted - "Transfer Notice of Surplus Property," instead of the "Authorization to Scrap."

No refund or credit was received by Metro from the vendor, JM Fiber Optics, Inc. who currently transacts with other Metro departments.



Display Monitor – Front and Side View with Sun Shield

This was an apparent delivery of defective product or waste of taxpayers' money. The contract should have conditioned payment on performance of equipment and Project Managers should have ensured that the product was working and met specifications before paying for the order, considering the dollar amount involved. Metro could have asked for an actual demonstration first and tested the product in a more timely fashion enabling the return of equipment if found defective or not fit for the purpose it was purchased. It is imperative for any department to ensure the functionality of equipment before making any purchase to avoid unnecessary waste of resources.

### **3. Equipment Assets Not Fully Depreciated Were Retired and Scrapped.**

The Biennial Equipment Inventory for 2020 showed that 186 equipment assets were scrapped, retired, and disposed. However, our audit found that 151 of these 186 items still have a net book value of \$423,415 as of June 30, 2020 (see Table 4), which indicates that they have not

## Audit of Controls over Metro's Equipment Management System

Office of the Inspector General

Report No. 21-AUD-07

yet been fully depreciated and should still be operational, unless they were damaged or defective.

**Table 4: Retired Equipment with Net Book Value as of 6/30/2020**

Division/ Location	Description of Retired Equipment	No. of Retired Equipment	No. of Equipment Assigned	% of Retired Equipment	No. of Retired Equipment with NBV as of 6/30/2020	Year Put in Service	Cost	Net Book Value as of 6/30/2020
7	Portable Steamer	1	8	13%	1	2018	8,524	\$ 4,972
10	Portable Lift	3	9	33%	-	Various	Fully Depreciated	-
30	Scanner/Surveillance	3	7	43%	-	Various	Fully Depreciated	-
61	Inverters, Monitors, etc.	24	108	22%	15	2017-2018	175,938	77,911
62	Monitors	132	170	78%	132	2016	2,793,888	325,954
99	Server, Data Storage	23	114	20%	3	2015/2017/ 2018	49,974	14,578
<b>Total</b>		<b>186</b>	<b>416</b>	<b>45%</b>	<b>151</b>		<b>3,028,324</b>	<b>\$ 423,415</b>

*Source: Equipment Inventory Forms and Capital Assets Subledger*

We made inquiries about this issue with Metro management. The following is the summary of our discussion with the asset owners regarding the above scrapped equipment. (Note: Division 62 was discussed above in Finding number 2.)

Division 7: The Director, Maintenance Operations explained that the steamer was replaced with another machine and the old one sat at their Division for several months. Thus, when Facilities Maintenance removed the old steamer, they assumed that it was already scrapped. Upon our inquiry, they learned that the equipment was not scrapped but it was transferred to another division however, we have not yet received information about where it was transferred.

Division 61: The Equipment Inventory Form showed that 24 equipment, consisting of frequency converters, servers, and video recorders, were retired. The staff who completed the Equipment Survey Form stated that “*all items are known to have been sent for surplus and/or disposal due to obsolescence/upgrade. However, there is no possession of all signed paperwork documenting chain of custody.*” We did not find any document authorizing the retirement of these equipment or whether they were returned/surrendered to the appropriate department.

Our review found that 15 out of 24 retired items were acquired in 2017 and 2018, and were therefore used for two and three years only. Based on Accounting policy, these assets have a useful life of five years. The retired items included a Microsoft Surface Hub - a Microsoft Teams-certified meeting platform and interactive whiteboard - costing almost \$24,000 when it

## **Audit of Controls over Metro's Equipment Management System**

**Office of the Inspector General**

**Report No. 21-AUD-07**

---

was purchased in June 2018. The asset owner said that she was not aware if Division 61 ever had this equipment. We asked Logistics to confirm if this equipment was assigned to Division 61, and their records showed that the equipment was tagged for the subject Division by the DEO, Wayside System Engineering and Maintenance, Rail Maintenance of Way. Apparently, the Senior Manager, Wayside Systems was not informed about the purchase of the Microsoft Surface Hub although she was listed as the asset owner. Upon our further inquiry, the DEO, Wayside System Engineering and Maintenance stated that the equipment was not retired but was transferred to the Track Training group. The Track Instructor confirmed that the equipment was transferred to Division 67 and provided us with pictures, upon our request. We asked the Division to advise Logistics to record back the asset for monitoring purposes and to correct the asset location. However, this asset was already removed from the accounting records since the Division previously reported it as retired during the FY20 inventory.

Division 99 (A): The Principal HR Analyst explained that the equipment, a fingerprint machine, was never found during the biennial inventory and was assumed that it was discarded when it was replaced by the vendor when upgrading. This equipment was put in service in June 2018 and had a net book value of \$7,043 as of June 30, 2020.

Division 99 (B): The Executive Officer, Information Technology of Systems Architecture and Integration explained that the data storage equipment was replaced because it was no longer supported by the manufacturer. He also added that if the storage system is not performing after three years, the unit has to be replaced to avoid production issues. The equipment was put in service in December 2015, retired in February 2020 and was almost fully depreciated at the end of its five-year estimated useful life. It had a net book value of about \$3,000 as of the date of disposal. This disposal was properly documented, justified, and at its end of depreciated life.

Division 99 (C): According to the Senior Software Engineer of the Transit Operations System, the equipment - a Dell storage server - was scrapped in April 2020 because the electronic board was broken and cannot be restored, rendering it non-operational. The equipment, acquired in 2017, had a net book value of \$4,883 as of June 30, 2020. This disposal was properly documented and justified.

The last two equipment mentioned above were disposed properly and justifiably. However, the rest of the items showed that the asset owners did not comply properly with Equipment Tracking procedures and there was lack of coordination among staff within the division and among other divisions.

It is possible that some of the equipment were moved to other divisions but since they were not found during the biennial certification, the asset owners just reported the equipment as scrapped or retired. As a result, these assets were removed from Metro's accounting records.

The Department Heads should require the asset owners to search for the equipment which are not yet fully depreciated as of June 30, 2020 and which may still be functional and operational.

**4. Retirement of Equipment Assets Was Not Promptly Identified and Recorded.**

The Logistics Unit of Vendor Contract Management developed Equipment Tracking Procedures (ETP), which should be followed by asset owners. However, we noted that some asset owners either did not comply or were not familiar with ETP.

The ETP requires that *“when a department head determines that a tracked equipment is no longer of functional value for its intended purpose, the asset requires proper disposition. The department head is responsible for completing and submitting the appropriate disposition form. Retired assets may be sold or scrapped with the recommendation of the department and the concurrence of the Property Coordinator.”*

**a. Disposal of equipment was not reported in a timely manner.**

As discussed above in Finding number 2, Division 62 scrapped 132 monitors in October 2019 (FY20). However, Logistics was informed in July 2020 (FY21) when the Material Inventory Analyst, Logistics asked for the paperwork in connection with the biennial certification for FY20.

Further, the only retirement recorded in the books during FY20 were four equipment costing \$85,000 which was sold in an auction for \$1,925. There were no other retirements or disposal recorded during this fiscal year. This was because the asset owners did not report the disposal timely and waited until the biennial certification, even if they already had the information long before the certification.

Based on Equipment Tracking procedures, asset owners are responsible in informing Logistics whenever an asset is retired, disposed or scrapped. As a result, the retired assets were not removed from the accounting records in FY20, but in FY21.

Asset owners should advise Logistics promptly when assets are disposed so the equipment records can be updated accordingly and in the proper period. Unless asset owners investigate and report the status of equipment in a timely manner, Logistics cannot update their equipment inventory database and accurately report equipment status to Accounting.

**b. Disposal of equipment was not properly documented.**

While the Equipment Survey forms were signed by the asset owners, the authorization to scrap was not signed by the approving official, except for Divisions 10, 30, 62, and 99 (C), as discussed above in Finding number 3.

The asset owners should ensure that all necessary forms related to disposal are signed and approved by their supervisors.

**5. Equipment Database Was Not Updated Timely.**

**a. Status of equipment was not updated timely or reported properly.**

Information Technology Services (ITS) handles and monitors computer, software, and related equipment, whether capitalized or not. We obtained a report from ITS which showed 6,724 items as of December 2020.

Our review of the report disclosed the following issues:

- Assigned Items: There were 3,936 assigned items; however, 50 of these items, mostly desktop computers which were entered in the system between 2015 and 2020, did not show the location or assigned employee badge number for the computer which is very important to keep track of the equipment.
- Unassigned Items: There were 564 unassigned items - 367 items were entered in the system between 2016 and 2019 and 197 in 2020. It appears items purchased several years ago have not yet been assigned to users.
- Items without Status: There were 230 items on the list without a status - 211 were entered between 2016 and 2019 while only 19 were created in 2020. The assets were not identified if they were salvaged or still active.
- Salvaged Items: There were six laptops entered in the system in 2020 but were classified as salvaged already. Also, there were seven laptops entered in 2016 as salvaged but were still on the list.
- New Items: There were 844 items identified as new; however, the report showed 696 of these items were entered in the system between 2015 to 2019 and only 148 were entered in 2020.

Based on our discussion with the Manager, Network Support, the report was not updated; thus, the status of the above items was not properly changed. For instance, there were items already assigned to users but were still shown on the report as new or unassigned.

The audit found that there was no staff dedicated to manage the ITS database since the system can be accessed by all ITS departments. Due to lack of accountability and monitoring system, we found that the report was unreliable.

Based on IT Asset Management Policy (ITAM) or IT 7, *Section 1.4, "Specific information about IT assets are to be captured and stored in an IT asset database. Records of IT asset attributes are required to ensure compliance with general financial, maintenance, and security controls."*



The policy also states that *“To ensure an effective ITAM Program, assets must be effectively accounted for, managed, and maintained in order to remain in a healthy operating state throughout their lifecycle.”*

It is important for ITS to perform periodic audit and variance reconciliation of the IT assets inventoried in their database. ITS should assign a staff who will be in charge of their asset database to ensure accurate reporting and close monitoring of the equipment.

**b. Group purchase of computers was not properly accounted for.**

Metro purchased 500 units of Dell desktop computers in August 2019 for about \$485,000. We asked ITS for the breakdown to determine the status of the equipment and the completeness and accuracy of the information in their database. The initial report provided by ITS showed 489 units, resulting to a discrepancy of 11 units.

Upon our inquiry, ITS did research and was able to identify the 11 units. They explained that the discrepancy was due to the fact that nine units were not included in their initial report and two did not have the corresponding Purchase Order number in their database. ITS informed us that they have updated their records already as of the date of this report.

We asked ITS to provide us with pictures of the 11 units showing the serial and tag numbers to verify their existence - to which they complied. We confirmed the computers assigned to the users and they confirmed that the tag and serial numbers were correct.

ITS should ensure that their equipment database is accurate and complete.

**6. An Invoice for Maintenance of a Capital Equipment Was Found Overpaid.**

In September 2019, Metro entered into a contract for maintenance of a Digital Incident Management System (DIMS), a software application to collect video recordings et.al., for an annual cost of \$172,463 or \$14,371 per month.

We examined the invoices and corresponding payments and found that the maintenance service for March 2020 was paid twice resulting in an overpayment of \$14,371. The overpayment occurred because the vendor billed Metro twice – once in April 2020 and again in May 2020 for March 2020 maintenance service. The Director, Systems Project, Information Technology Services explained that he must have approved the second invoice without realizing that it was paid already. The credit for the overpayment was eventually applied in December 2020 invoice.

The requesting staff and the approving official should verify the details of the invoices including the period covered by the services, especially when monthly payments are made, to avoid overpayment.

**7. An Operating Expense Was Incorrectly Recorded as a Capital Expenditure.**

The payments mentioned above for DIMS maintenance were incorrectly recorded as a capital expenditure rather than an expense. As verified with the Director, Systems Project, the maintenance cost was incurred after the product had been installed.

Accounting explained that the maintenance invoices came from a capital project and the account was provided by the Project Manager (PM) when the Purchase Order was created. Based on ACC-14, Accounting Procedures and Guidelines for Capital Expenditures, software maintenance performed in post-implementation/operational stage should not be capitalized.

Upon our discussion with the Senior Director, Information Technology, he agreed that the payments should be recorded as an operational expense since maintenance was done after the system went live. Accounting coordinated with him to correct the account.

The incorrect recording to capital expenditure resulted in an understatement of operating expenses and an overstatement in capital expenditures in the year the payments were made.

The Project Manager should coordinate and verify with Accounting the correct accounts to be used in their projects. Staff should also be reminded to read and comply with ACC-14 when making check requests.

**8. Depreciation Was Not Reported in the Proper Period Due to Delayed Transfer of a Project to Capital Asset.**

Our audit found that a capital project (CP) in Marketing for \$1.04 million was completed in July, 2015; however, it was closed and transferred to a capital asset in June 2020. Depreciation of the asset did not start until FY20, with a reported depreciation expense of \$1.02 million during the fiscal year, instead of \$209,000 each year.

The Director, Communications explained that they discovered that labor charges were incorrectly billed to the CP causing overages in the Life of the Project (LOP). It took some time to stop the labor charges and then back out or revert in order to remain within LOP. She added that she had submitted earlier a Transfer Project Cost Form to close the CP, but it was lost in the process. Further, her role and responsibility within Metro changed around 2017 and 2018 adding additional delay.

The delay in transferring the project cost to a completed capital asset resulted in an understatement of depreciation expense in the prior years and overstatement of depreciation expense in FY20 by \$817,000. It is important that completed projects are closed and transferred to capital assets in a timely manner in order for depreciation expense to be recorded in the proper period.



## **OBSERVATION**

During our audit of Metro Capital Equipment, it came to our attention that Metro misclassified a purchase of 80 vehicles (law enforcement patrol cars) in the amount of approximately \$4 million to Operational Expenditures instead of Capital Assets-Vehicles. While the audit of Metro Vehicles is not within the scope of our current audit of Metro Equipment, we believe that this issue should be brought to Metro management attention for immediate action to remedy the condition.

In March 2017, Metro entered into a contract with the Los Angeles Police Department (LAPD) for transit law enforcement services to support Metro's day-to-day operations across its entire service area. Based on the contract, LAPD shall provide certain equipment, including vehicles, which will be funded by Metro as part of the firm fixed unit rate contract. LAPD purchased most of the vehicles in 2018 and a few in 2019, and submitted the invoices to the Project Manager, former Chief Security Officer and the Executive Officer of SSLE, who incorrectly classified the purchases as Contract Services, an operating expenditure.

The DEO, Finance, stated that when SSLE had the contract approved by the Board, it was submitted as an Operating, not Capital Project. Moreover, the Fixed Assets Unit of Accounting Department was not aware of the vehicle purchases since they were not coded in the acquisition account.

Later in 2019, the Director of Physical Security, was asked by the new SSLE Chief to oversee this LAPD contract. SSLE identified the error and took actions to identify the vehicles, equipment and other assets funded by Metro. When she planned to conduct an inventory of the vehicles, she discovered that the vehicles did not have an asset tag and were incorrectly charged to operational expenses. She took actions and coordinated with Accounting and the Office of Management and Budget to correct the miscoding. Metro is in the process of correcting the error which is expected to be completed before the end of FY21.

## **CONCLUSION**

Our audit found that Metro has adequate internal controls over its equipment management system. Metro's Capital Assets Accounting and Logistics Department properly developed and issued detailed procedures and policies to record, keep track, monitor, and safeguard equipment. However, we found some instances, as discussed in the previous sections, which warrant Metro management attention and improvement. For example, some Metro departments did not follow the proper procedures and others were not familiar with the policies. Metro should provide proper training to equipment asset owners and users to comply with Metro's policies and procedures for tracking, controlling, monitoring, and handling equipment. Additional actions and guidance should be provided to staff and departments with equipment assets to prevent future errors, losses and/or fraud in the equipment management system and processes.

## **RECOMMENDATIONS**

We recommend that:

### Operations:

1. Instruct staff to follow policies and procedures for tracking equipment and performing physical inventory.
2. Investigate and report the possible reason for missing, lost and scrapped items which are not yet fully depreciated.
3. Require asset owners to attend training on equipment tracking procedures (ETP) and learn how to properly report disposal of equipment, including retirement, sale, scrap, transfer, or any movement of equipment within the agency.
4. Instruct asset owners to report any equipment received from other divisions and equipment discovered during a physical inventory that are not listed on the asset list provided by Logistics.

### Vendor/Contract Management (Logistics):

5. Ensure that physical inventory results are reconciled to the database.
6. Continue to provide training and instructions to asset owners on equipment tracking and taking inventory.
7. Instruct asset owners to investigate and report the possible reason for any missing items.
8. Distribute a list of equipment to asset owners annually to confirm the assets assigned to them.
9. Require asset owners to obtain supervisor's approval for disposal or retirement of equipment assets before they are fully depreciated based on Metro or Accounting depreciation policy.
10. Update the Logistics database to add back equipment previously reported lost in FY20 Biennial Certification but eventually found in other divisions.

### Information Technology Services:

11. Verify invoices and previous payments to vendors to avoid overpayment.
12. Coordinate and verify with Accounting the correct accounts to be used in capital projects.
13. Require staff to read, understand, and comply with ACC-14 – Accounting Procedures and Guidelines for Capital Expenditures. Consider having an online training module created.
14. Update the ITS database and assign dedicated staff to manage the asset management database to ensure that records are updated, complete, and accurate.
15. Ensure scrapped equipment is disposed promptly.

### System Security and Law Enforcement:

16. Perform a detailed study and sample testing of a product to be purchased prior to procurement.
17. Maintain records and location of all equipment received and assigned to staff.
18. Work with Accounting and Office of Management and Budget to correct the entries on the \$4 million purchase of 80 vehicles for LAPD in 2018 and 2019 from Operating Expenditures to Capital Vehicles by June 30, 2021.

Communications:

19. Remind staff to advise Accounting Department as soon as a project is completed.

Human Capital & Development:

20. Investigate and report missing equipment asset items, and instruct staff to follow policies and procedures for tracking equipment and performing a periodic physical inventory at least annually.

## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On May 21, 2021, we provided Metro Management a draft report. On June 10, 2021, the management completed their responses that summarized their corrective actions, as shown in Attachment A.

## **OIG EVALUATION OF MANAGEMENT RESPONSE**


Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

## Management Comments to Draft Report

---


**Metro**

### Interoffice Memo

<b>Date</b>	<b>June 8, 2021</b>
<b>To</b>	<b>Karen Gorman Inspector General</b>
<b>From</b>	<b>James T. Gallagher Chief Operations Officer</b> 
<b>Subject</b>	<b>Management Response to the Audit of Metro's Equipment Manafement (Report # 21-AUD-07)</b>

Operations Management has received and reviewed the Audit of Controls over Metro's Equipment Management System issued by the Office of Inspector General. The report includes a total of 20 recommendations, inclusive of 4 for Operations, which will be reviewed and considered for feasibility, practicality and implementation.

The report includes the following recommendations for Operations:

1. Instruct staff to follow policies and procedures for tracking equipment and performing physical inventory.

**Response:** Agree; Operations will instruct staff to follow policies and procedures for tracking equipment and performing physical inventory.

**Completion Date:** July 2021

2. Investigate and report the possible reason for missing, lost and scrapped items which are not yet fully depreciated.

**Response:** Agree; Operations will investigate and report the possible reason for missing, lost and scrapped items which are not yet fully depreciated.

**Completion Date:** September 2021

3. Require asset owners to attend training on equipment tracking procedures (ETP) and learn how to properly report disposal of equipment, including retirement, sale, scrap, transfer, or any movement of equipment within the agency.

**Response:** Agree; Operations will require asset owners to attend offered training on equipment tracking procedures to learn how to properly report disposal of equipment, including retirement, sale, scrap, transfer, or any movement of equipment within the agency.

**Completion Date:** September 2021

4. Instruct asset owners to report any equipment received from other divisions and equipment discovered during a physical inventory that are not listed on the asset list provided by Logistics.

## Management Comments to Draft Report

---

**Response:** Agree; Operations will instruct asset owners to report any equipment received from other divisions and equipment discovered during a physical inventory that are not listed on the asset list provided by Logistics.

**Completion Date:** July 2021

## Management Comments to Draft Report


**Metro**

### Interoffice Memo

Date	June 1, 2021
To	Yvonne Zheng Inspector General
Through	Debra Avila Chief Vendor/Contract Management Officer
From	Selena Landero Executive Officer Supply Chain/Logistics
Subject	Response to OIG Draft Report on Audit Controls Over Metro's Equipment Management System (Report No. 21-AUD-07)

#### **OVERVIEW**

Logistics appreciates the time and effort invested in this audit by the Office of Inspector General Audit staff. We have reviewed the recommendations and concur with the recommendations in this report and will implement these recommendations to the best of our ability with the goal of improving management controls over the capital inventory.

#### **CORRECTIVE ACTION PLAN**

The following describes the corrective action plan for the recommendations presented in this report. Many of the recommendations have been in place for over 10 years.

- In response to recommendation 5, this is in place and is continuing. The physical inventory results are reconciled when the results are submitted to Logistics. This recommendation is considered implemented and closed.
- In response to recommendation 6, this is in place and is continuing. Multiple dates are offered prior to the inventory. It is offered to the asset owners and or their designee for training on the procedures for the capital equipment asset inventory. This recommendation is considered implemented and closed.
- In response to recommendation 7, this is in place and is continuing. The asset owners or their designee are required to investigate and report the reason for any missing assets. Staff will be reminded that the forms are to be filled out. This recommendation is considered implemented and closed.
- In response to recommendation 8, Logistics will develop a plan and implement by July 8<sup>th</sup>, 2021. As part of this recommendation, asset owners or their designee will be asked to validate the capital assets assigned to them. Will notify them by

## Management Comments to Draft Report

---

email. If no response, we will follow-up with another email. Going forward this will be an annual validation of the capital assets assigned to the owners.

- In response to recommendation 9, there is a chain of custody established whenever an asset is disposed or retired. A signature from the Department Head is required. Staff will be reminded to ensure all signatures are captured. This recommendation is considered implemented and closed.
- In response to recommendation 10, if any of the asset reported lost in the FY20 Biennial Certification have been found, as long it is reported to Logistics the asset record will be updated. This recommendation is considered implemented and closed.



## Management Comments to Draft Report


**Metro**

### Interoffice Memo

Date	June 4, 2021
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Bryan Sastokas, Chief Information Technology Officer <span style="float: right;">(BMS)</span>
Subject	ITS Response to the Audit of Controls over Metro's Equipment Management System (Report No. 21-AUD-07)

Attached is ITS management's response to the five (5) recommendations addressed to ITS in the Audit of Controls over Metro's Equipment Management System Report (No. 21-AUD-07).

**Recommendation #11: Verify invoices and previous payments to vendors to avoid overpayment.**

**Management's Response:** Agree. ITS will provide to those staff, who review and approval invoices, a refresher training reinforce tracking and verifying invoice details, specifically service periods, to ensure accuracy in the payment process. Fortunately, ITS had caught and resolved the issue prior to this audit.

**Recommendation #12: Coordinate and verify with Accounting the correct accounts to be used in capital projects.**

**Management's Response:** Agree. ITS will provide to those staff, who initiate and process requisitions to fund contracts, purchase/task orders, a refresher training to review ACC-14, Accounting Procedures & Guidelines Capital Expenditures, to ensure the proper budgetary accounting codes are utilized during the capital and operating phases of the project.

**Recommendation #13: Require staff to read, understand, and comply with ACC-14 – Accounting Procedures and Guidelines for Capital Expenditures. Consider having an online training module created.**

**Management's Response:** Agree. ITS will provide to those staff, who initiate and process requisitions to fund contracts, purchase/task orders, a refresher training to review ACC-14, Accounting Procedures & Guidelines Capital Expenditures.



## Management Comments to Draft Report

---

**Recommendation #14: Update the ITS database and assign dedicated staff to manage the asset management database to ensure that records are updated, complete, and accurate.**

**Management's Response:** Partially Agree. ITS agrees the asset management database records should be complete and accurate. During the audit, the auditors did a sampling of 500 computers received and discovered an initial discrepancy of 11 computers between those computers and the asset management database (2% variance, approx. \$15K). After further investigation, the 11 computers were found, and the database was updated.

However, ITS currently does not have the resources to dedicate a staff member to manage the asset management database, especially given the minimal discrepancy identified and ultimately resolved. One additional dedicated staff would cost the Agency over \$200K full burdened, therefore the return on investment does not justify this approach.

ITS does believe there is an opportunity for a process improvement to reconcile the equipment received against the asset management database to identify discrepancies more quickly and ultimately ensure records are updated, complete and accurate. ITS will begin immediately developing and implementing this process.

**Recommendation #15: Ensure scrapped equipment is disposed promptly.**

**Management's Response:** Agree. The disposal of equipment procedure needs to be reviewed and enhanced to provide an additional check that ensures an accurate reconciliation between equipment salvaged in the asset management database and the salvage form list.

CC:

Medik Ghazikhanian, Executive Officer Information Technology

Joe Giba, Executive Officer, Information Technology

Bill Balter, DEO, Enterprise Information Management

Joseph Hernandez, Director, Finance and Administrative Services

Roger Largaespada, Senior Director, Operations and Service Delivery

## Management Comments to Draft Report


**Metro**

### Interoffice Memo

Date	May 28, 2021
To	Yvonne Zheng, Senior Manager, Audit Officer of the Inspector General
From	Judy Gerhardt Chief System Security & Law Enforcement Officer
Subject	Response to Draft Report No. 21-AUD-07: Audit of Controls over Metro's Equipment Management System

This memo is in response to the draft report audit of controls over Metro's Equipment Management System (Report No. 21-AUD-07). The Metro Office of Inspector General (OIG) performed the audit, which resulted in eight (8) findings, observations, and a series of recommendations to improve Metro's management practices. The results of the audit identified the following concerns in relation to the System Security & Law Enforcement (SSLE) Department and its compliance with Metro's Accounting Procedures and Guidelines for Capital Assets (ACC 14):

**1. Some Capital Equipment Assets Could Not Be Located during FY20 Biennial Certification.**

**Lost Equipment with Net Book Value:** *Division 99: The items were purchased and installed by former System Security and Law Enforcement (SSLE) staff but cannot be located (pg. 6).*

**2. \$2.8 Million Equipment Assets Were Found Scrapped and Never Used.**

*SSLE used grant funds to purchase 132 monitors, but they were scrapped in October 2019 after an assessment/review, which concluded that they were nonfunctional. The monitors cost \$26,000 each for double-sided full color LED display and \$14,000 each for single-sided, inclusive of tax. No refund or credit was received by the vendor (pg. 7-8).*

**3. Observation:**

*In March 2017, Metro entered into a contract with the Los Angeles Police Department (LAPD), which included the purchase of vehicle assets in 2018 & 2019. These assets were incorrectly classified as an operating expenditure (pg. 15).*

## **Management Comments to Draft Report**

---

### **Result of Audit:**

SSLE has reviewed the findings and observations related to the significant lack of accountability related to equipment and the associated lack of asset management practices. Notably, the draft report acknowledges that there have been considerable leadership changes in SSLE during the period of review and identification of the reported findings and observations. As such, the recommendations below are accepted and have been addressed with the subsequent corrective actions taken by SSLE's current leadership.

### **Recommendations:**

The following three (3) recommendations were directed to SSLE:

- (1) #16. Perform a detailed study and sample testing of a product to be purchased prior to procurement.
- (2) #17. Maintain records and location of all equipment received and assigned to staff.
- (3) #18. Work with the Accounting and Office of Management and Budget (OMB) to correct the entries on the \$4 million purchase of eighty (80) vehicles for LAPD in 2018 and 2019 from Operating Expenditures to Capital Vehicles by June 30, 2021.

### **Corrective Actions:**

The following corrective actions have been taken and are in effect [*supportive documentation is available upon request*]:

### **Response to Recommendation #16:**

In collaboration with Metro's Project Management Office and ITS for all new security-related technologies, SSLE engages with internal stakeholders to ensure full life cycle delivery of any proposed technology solution (i.e., implementation, maintenance, operational support, etc.). Utilizing the project management process, SSLE engenders the support of business analysts to avoid failed implementation due to disfunction, deficient features (unmet requirements), and incompetence. SSLE has since hired staff with Project Management Professional (PMP) certification and has partnered with the Transportation Security Administration's (TSA) Science & Technology Program establishing Metro as a 'Mass Transit Test Bed' to evaluate security solutions. As participants of this program, TSA will assess and evaluate the effectiveness and suitability of emerging and advanced security solutions, to include but not limit, technologies and processes suitable for use in mass transit applications under

## Management Comments to Draft Report

---

operational conditions and prior to procurement. The Memorandum of Agreement (MOA) was effective on January 20, 2020.

### **Response to Recommendation #17:**

In 2017, SSLE began to inventory the equipment purchased for the Los Angeles Sheriff's Department (LASD) funded via a Metro grant. A significant effort to identify past purchases was undertaken, and a list of items purchased for the LASD was developed. SSLE began inventories of the equipment and recorded vehicle mileage annually and worked with LASD to discover the location and condition of items such as six BMW motorcycles, tactical radios, and police sedans. A formal audit was initiated by Metro in 2018 and finalized in September 2019, with the auditors successfully locating many of the missing items.

In prior years, SSLE made a significant effort to purchase items for the LASD with grant and Metro funds; this practice ended in 2017.

Furthermore, upon initiation of the LAPD contract in 2017, SSLE started an inventory control method for items (80 police vehicles, and over 120 computers and monitors) purchased with Metro funds in support of their contract, and demanded an annual audit of the vehicles (to include mileage) and serial numbers of computers and monitors. This practice continues.

### **Response to Recommendation #18:**

SSLE worked with Accounting and OMB to reconcile the misclassification of \$4M of expenditures charged to Operating Budget and recorded these assets into Metro's fixed assets registry.

The following steps were taken to correct the discrepancy, reconciled the accounting and established a new proactive procedure to avoid reoccurrence of the same issue.

- SSLE contacted OMB requesting a capital project to reclass these transactions (vehicles and radios purchases) from operating projects. OMB suggested bringing this item to the board. After several discussions, all participants agreed otherwise since those invoices were already paid. The CFO and CEO decided this would be handled administratively.
- Accounting & SSLE agreed upon the appropriate steps:
  1. Established a Capital Project to transfer expenditures.

## Management Comments to Draft Report

---

2. Created one Purchase Order (PO) line for the capital project, charged to the acquisition General Ledger (GL) account.
  3. Then created a zero voucher for the Accounts Payable Office to process with a PO line match.
- SSLE was able to use the existing capital project (208605) and established a Life of Project (LOP) for the expenditures.
  - SSLE prepared GL Adjustment Forms and submitted them to the Operating Project Owner (OPS) and Capital Project Owner (SSLE), authorizing the expenditure transfer.
  - All concerned parties approved the GL Adjustment Forms with signatures submitted to the Accounting Department.
  - SSLE completed the Reclassification/Realignment task on May 21, 2021.

SSLE will ensure that all future board reports seeking approval which include capital acquisitions and/or expenditures, will also include a request to establish a companion Life of Project (LOP) for those Metro assets.

Summarily, SSLE will continue to ensure that best practices are established in compliance with Metro's Accounting Procedures and Guidelines for Capital Assets (ACC 14) with developed policies and standard operating procedures.

**Distribution:**

Karen Gorman, Inspector General, OIG

Aston Greene, EO/Deputy Chief, SSLE

Ron Dickerson, DEO, SSLE

Susan Walker, Director, Physical Security, SSLE

Jackie Bobo-Fabre, Manager, Finance & Administration, SSLE



## Management Comments to Draft Report

---


**Metro**

### Interoffice Memo

<b>Date</b>	June 7, 2021
<b>To</b>	Yvonne Zheng Senior Manager, Audit
<b>From</b>	Yvette ZR Rapose Chief Communications Officer
<b>Subject</b>	Management Response to OIG Audit Report No. 21-AUD-07

Communications has received and reviewed Audit Report No. 21-AUD-07: Audit of Metro's Equipment Management System.

Among other audit procedures, Audit reviewed sample transactions on equipment accounts and verified the accuracy of the records and existence of the assets. The audit found that Metro has adequate controls over the equipment management system. However, they found the following eight (8) findings that warrant Metro management attention and improvement in future. Specifically, they found:

- Some capital equipment assets could not be located during FY20 Biennial Certification;
- \$2.8 million capital equipment assets were found scrapped and never used;
- Equipment assets not fully depreciated were retired and scrapped;
- Retirement of capital equipment assets was not properly identified and recorded;
- Equipment database was not updated timely;
- An invoice for maintenance of a capital equipment asset was overpaid;
- An operating expense was incorrectly recorded as a capital expenditure; and
- Depreciation was not reported in the proper period due to delayed transfer of a project to capital asset.

Communications agrees with the recommendation and has reminded staff to inform the Accounting Department when projects are completed.

## Management Comments to Draft Report

---


**Metro**

### Interoffice Memo

Date	June 9, 2021
To	Yvonne Zheng Senior Manager, Audit
From	Patrice McElroy <i>Subject Missing</i> Chief HC&D Officer (Interim)
Subject	Management Response to the Audit of Controls over Metro's Equipment Management System (Report No. 21- AUD-07)

The Human Capital & Development received and reviewed Audit Report No. 21-AUD-07: Audit of Controls over Metro's Equipment Management System as of June 30, 2020. The report includes a total of 20 recommendations, inclusive of one for Human Capital & Development. The following is the department's response to that finding.

#### **Human Capital and Development (Pension and Benefits):**

1. Investigate and report missing equipment asset items, and instruct staff to follow policies and procedures for tracking equipment and performing a periodic physical inventory at least annually.

*The department agrees and will instruct staff to report missing equipment and asset items and instruct staff to follow policies and procedures for tracking equipment and performing a periodic physical inventory.*

## Final Report Distribution

---

### Board of Directors

Kathryn Barger  
Mike Bonin  
James Butts  
Jacquelyn Dupont-Walker  
Eric Garcetti  
Janice Hahn  
Paul Krekorian  
Sheila Kuehl  
Holly Mitchell  
Ara Najarian  
Fernando Dutra  
Hilda Solis  
Tim Sandoval  
Anthony Tavares

### Metro

Chief Executive Officer  
Chief of Staff  
Board Secretary  
Inspector General  
Chief Ethics Officer  
Chief Finance Officer  
Chief Communications Officer  
Chief Human Capital & Development Officer (Interim)  
Chief Information Technology Services Officer  
Chief Operations Officer  
Chief System Security and Law Enforcement Officer  
Chief Vendor/Contract Management Officer  
Executive Officer, Finance/Controller  
Executive Officer, Administration  
Audit Support Manager  
Manager, Records & Information Management