



ITEM ID: 2024-121-0

TRANSMITTAL DATE: May 3, 2024

MEETING DATE: May 10, 2024

TO: Audit and Finance Committee

FROM: Elisabeth Lazuardi, Director, Audit

SUBJECT: Performance Audit: Work Directives Contract No. MS289-22 (2023-06-IA)

Issue

The Performance Audit: Work Directives Contract No. MS289-22 (#2023-06-IA) is completed as part of our 2023 Annual Internal Audit Plan approved by the Board of Directors.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. The findings and recommendations from the audit of the Work Directives Contract No. MS289-22 enhance our approach to financial management and contract oversight, ensuring robust and efficient processes in line with our commitment to modernize business practices.

Background

Contract No. MS289-22 with Herzog for Metrolink Track and Signal Infrastructure Maintenance and Support Services, a cost-plus incentive fee contract, covers a period from

July 1, 2021, to June 30, 2026, with an option to extend. The contract, valued at \$262.6 million, is federalized and encompasses both Base Maintenance Services and On-Call Services. This audit specifically focuses on the On-Call Work Directive Services portion of the contract.

Discussion

The audit was conducted to review the efficiency and effectiveness of procedures and controls related to the review, payment, and reimbursement of invoices for work directives under Contract MS289-22 during the period from July 1, 2021, through March 31, 2024. The audit methodology included document review, data analysis, and interviews with key staff and managers across various departments.

The audit resulted in four findings and eight recommendations. These findings include issues in Receivables Reporting, Invoice Management, Cost Validation, and Access Control. Management has concurred with all the findings and recommendations and has already begun implementing corrective actions to address these issues. The detailed findings and recommendations, along with management's responses and actions, are reflected in the Findings, Recommendations, and Management Responses section of the audit report (see Attachment A).

Next Steps

Internal Audit will track the implementation of the corrective action and report the corrective action status quarterly to the Board.

Prepared by: David Rogers, Senior Internal Auditor

Approved by: Elisabeth Lazuardi, Director, Internal Audit

Attachment(s)

[Attachment A - Performance Audit: Work Directives Contract No. MS289-22 \(2023-06-IA\)](#)