



Board Report

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Agenda Number:

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE APRIL 20, 2023

SUBJECT: AUDIT OF CONTROLS OVER METRO'S NON-REVENUE VEHICLES (PHASE I)

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on Controls over Metro's Non-Revenue Vehicles - Phase I.

ISSUE

The Office of the Inspector General (OIG) performed an audit of controls over Metro's non-revenue vehicles (NRVs). This audit was conducted to assist Metro to improve its internal control over non-revenue vehicles 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. The overall objective of this project is to determine whether internal controls over Metro's non-revenue vehicles (NRVs) are adequate and effective. Because there are many control areas related to Metro's NRVs, we separated this audit into two phases. Phase I focused on controls on NRVs acquisition, retirement or disposal, 24-hour assigned vehicles, department pool vehicles, General Services pool vehicles, and IRS reporting of non-cash taxable benefits. Phase II will focus on NRV drivers' compliance with ExpressLanes usage policy, controls in place to handle and report NRV accidents, and verify if NRV drivers observe vehicle, traffic, and parking codes.

BACKGROUND

Los Angeles County Metropolitan Transportation Agency (Metro) provides non-revenue passenger vehicles for employees' use to carry out Metro business. Non-revenue vehicles (NRVs) are assigned in pools at various locations or assigned to an individual employee.

As of June 30, 2022, Metro's non-revenue fleet consisted of 1,416 vehicles, which includes sedans, mini vans, SUVs, trucks, and full-size vans allocated to Departmental Pools, Company Equipment, General Services' Pool and 24-Hour assignments.

Metro's policy for Non-Revenue Passenger Vehicles (GEN16) provides guidelines to employees who use an NRV to carry out Metro business. The policy includes guidelines on eligibility for vehicle assignments, 24-hour assigned vehicles, pool vehicles, overnight use, reporting requirements for personal use, vehicle operation and fleet maintenance.

The Non-Revenue Department (also known as “NR”) is responsible for managing the procurement, distribution, maintenance and retirement of all NRVs. NR also monitors the assignment and usage of NRVs.

General Services, on the other hand, is responsible for managing the pool at Metro Headquarters (Gateway) for use by all departments located at Gateway for business purposes.

The Projects, Grants & Capital Assets Unit of the Accounting Department is responsible for accurate and timely recording of transactions related to NRVs based on the information provided by the Non-Revenue Department. The Payroll Department calculates the withholding tax of the taxable benefit for employees’ use of NRVs.

This audit covered a review of non-revenue vehicles as of June 30, 2022.

DISCUSSION

Findings

Metro’s Capital Assets Unit of Accounting and Operations’ Non-Revenue Department developed and issued detailed procedures and policies to record, monitor, and safeguard non-revenue vehicles (NRVs). Our audit found that Metro has adequate controls in place for acquisition, retirements, and safeguarding of NRVs. However, controls can be improved in the areas of recordkeeping, assignment, and utilization of the vehicles, as well as in complying with the IRS regulations on taxable benefits for the use of NRVs. Coordination between Non-Revenue Department and other departments utilizing NRVs, coupled with close supervision of all Department Heads, would ensure adherence to and effective implementation of Metro policies and procedures.

The Office of the Inspector General provided 29 recommendations to address the issues.

Recommendations

We recommend the following:

Operations (Non-Revenue Department)

1. Record the LAPD vehicles in Maintenance and Materials Management System (M3).
2. Provide the Rideshare Program Administrator (RPA) with a copy of the Vehicle Request Form for any new 24-hour non-revenue vehicle assignment. Include the RPA in the distribution list of the Vehicle Request Form.
3. Metro staff involved in NRV procurement should ensure that the vendor complies with all the requirements of the purchase contract by Metro, and delivery of NRVs are free of any defects that would prevent full utilization of the vehicles and placing the units into service upon delivery. Payment for NRV purchases should only be made to the vendor after the units were inspected and verified to meet the specifications required by Metro. An adequate supply of Fleetwatch

devices should be ordered in advance of receiving new vehicles so they may be promptly installed.

4. Add the following information in Maintenance and Material Management System (M3) or Vehicle Request Form:
 - Indicate the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa in M3.
 - Add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to transit subsidy.
5. Inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.
6. Ensure that the Vehicle Request Form is approved by the authorized signatories according to Metro policy.
7. Upload the Vehicle Request Form for 24-hour assigned vehicles to Maintenance and Material Management System (M3).
8. Evaluate the utilization of the 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction, re-assignment to other employees or departments who may better utilize the capital asset/NRV. Metro should consider reviewing the prior year utilization when issuing 24-hour assigned vehicles.
9. Coordinate with Human Capital and Development to include Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.
10. Add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee's immediate supervisor.

Operations (General Services)

11. Coordinate with Metro's Information Technology Services department to generate a report on overnight use of General Services' pool vehicles and comply with the IRS reporting requirement.
12. Remind staff to always check for proper vehicle request approval; do not process the request without the approval.
13. Clarify the policy on the use of vehicles for more than one overnight use; e.g. two to five continuous days.
14. Request Information Technology Services (ITS) to modify the vehicle check-in date to reflect

the actual date the vehicle was returned, and not the date the information was posted to M3.

15. Instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately.

Operations (Rail Fleet Services) and Program Management (Systems Engineering)

16. Instruct the recipients of 24-hour assigned vehicles to comply with Metro's GEN 16 policy; do not redeem transit subsidies for the bus/rail pass once a 24-hour assigned NRV is received.
17. Management should discuss with employees their receipt of a transit subsidy while assigned a 24-hour vehicle and determine the amount of money Metro should be reimbursed.

Program Management

18. Maintain vehicle use log records for each department pool vehicle with complete information such as employee's name, contact number, destination and purpose of the trip, date and time the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.
19. Assign the immediate supervisor to thoroughly review vehicle usage records for completeness and accuracy and approve on a monthly basis.
20. Consider allowing other employees to use the department's pool vehicles when they are not being used by the primary vehicle assignee.

Human Capital and Development (Workforce Services)

21. On a monthly basis, obtain a list of 24-hour assigned vehicles from the Non-Revenue Department and reconcile this list with transit subsidy recipients.
22. Consider adding a reminder in the monthly notification that no transportation subsidy is allowed if the employees have 24-hour assigned vehicles.

Human Capital and Development (Talent Acquisition)

23. Add a statement in the Supervisor's Termination Processing Checklist and Clearance Order requiring the separating employee to submit a completed "24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form," if applicable.

System Security & Law Enforcement and Vendor/Contract Management (Procurement)

24. Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial

account(s).

System Security and Law Enforcement

25. Ensure that the purchase of non-revenue vehicle or any asset that meets the threshold of capital expenditure is recorded correctly as capital asset, and not as an operating expense.
26. Ensure that the correct account is used for each component of the contract; i.e. services are recorded as operating expenses and non-revenue vehicles or equipment are recorded as capital or fixed assets.
27. Monitor the usage of LAPD vehicles by obtaining mileage periodically.
28. Prepare for the return of the NRVs, as provided for in the contract, upon contract termination.

All Cost Centers

29. Request a 24-hour vehicle assignment if the department requires frequent or extended overnight use of NRVs for business purposes.

EQUITY PLATFORM

It is OIG's opinion that there is no equity consideration or impact in this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Controls over Metro's Non-Revenue Vehicles - Phase I (Report No. 23-AUD-04)

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

**Audit of Controls
Over Metro Non-Revenue Vehicles
(Phase I)**

Report No. 23-AUD-04

March 9, 2023



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Metro

DATE: March 9, 2023

TO: Metro Board of Directors
Metro Chief Executive Officer

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

E-SIGNED by Yvonne Zheng
on 2023-03-09 12:35:39 PST

SUBJECT: Final Report: Audit of Controls over Metro Non-Revenue Vehicles (Phase I)
(Report No. 23-AUD-04)

INTRODUCTION

The Office of Inspector General (OIG) performed an audit of Metro’s internal controls over non-revenue vehicles. This audit was conducted to assist Metro to improve its internal control over non-revenue vehicles 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.

As released in its FY22 (July 1, 2021 – June 30, 2022) Comprehensive Annual Financial Report, Metro had \$19.7 billion, net of accumulated depreciation, invested in capital assets. Vehicles, net of accumulated depreciation, amounted to approximately \$1.5 billion, of which \$9.6 million, net of \$72.6 million accumulated depreciation, was non-revenue vehicles.

**Table 1: Metro Capital Assets
(Amounts in Thousands)
As of 6/30/2022 and 6/30/2021**

	Los Angeles County Metropolitan Transportation Authority Capital Assets (Net of accumulated depreciation)					
	Business-type Activities		Governmental Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$1,715,160	\$ 1,700,668	\$746,589	\$ 749,417	\$2,461,749	\$ 2,450,085
Buildings and Improvements	5,212,338	5,315,307	-	-	5,212,338	5,315,307
Equipment	57,001	73,836	-	-	57,001	73,836
Vehicles	1,462,482	1,542,509	-	-	1,462,482	1,542,509
Right to use leased asset	36,246		4,043		40,289	
Construction in progress	10,469,814	9,170,339	-	-	10,469,814	9,170,339
Total Capital Assets	\$18,953,041	\$17,802,659	\$ 750,632	\$ 749,417	\$19,703,673	\$ 18,552,076

Source: Metro’s Annual Comprehensive Financial Report for the Fiscal Year Ended 6/30/2022

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).” Metro’s capitalization threshold is \$5,000. Non-revenue vehicles are capital assets.

Non-revenue vehicles are carried at cost and depreciated using the straight-line method based on the estimated useful life of five years.

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The overall objective of this audit is to determine whether internal controls over Metro’s non-revenue vehicles (NRVs) are adequate and effective.

The specific objectives of the audit are divided into two phases, as follows:

Phase I: To determine whether:

1. Metro has adequate controls in place to effectively manage non-revenue vehicles (NRVs) in such a manner that NRVs are properly identified, recorded, valued, and assigned;
2. Additions and disposition/retirements of NRVs and are accurately recorded;
3. NRVs on record are in existence and are appropriately safeguarded and insured; and
4. Metro employees comply with IRS regulations on taxable benefits for the use of NRVs

Phase II: To determine whether:

1. Metro employees assigned and utilizing Metro NRVs are in compliance with the ExpressLanes usage policy;
2. Drivers of NRVs observe vehicle, traffic and parking codes; and
3. Controls in handling and reporting accidents are adequate.

This draft report focused on the objectives specified in Phase I of this audit. We will report the results of Phase II when it is completed.

To achieve the above audit objectives, we gained an understanding of Metro’s management control processes in adding, disposing, depreciation recording and tracking of NRVs. We reviewed applicable policies and procedures and interviewed Metro personnel in Operations, General Services, Accounting, and other departments. We also reviewed and analyzed reports received from various departments, examined invoices, memos, and other supporting documents. In addition, we performed an inspection of sampled vehicles.

This audit covers Metro’s Non-Revenue Vehicles (NRVs) usage and records from July 1, 2021 to June 30, 2022. Based on accounting records, NRVs totaled \$9.6 million as of June 30, 2022, net of accumulated depreciation of \$72.6 million. Additions to NRVs during the fiscal year ended June 30, 2022 amounted to \$3.7 million while retirement or disposal of NRVs were \$2.2 million.

For NRVs additions in FY22, we selected 9 transactions totaling \$1.6 million, or about 43%, to perform detail testing. We verified 24 NRVs that were retired in FY22 for a total amount of \$779,000 or 35% of \$2.2 million.

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 Agency (Metro) provides non-revenue passenger vehicles for employees' use to carry out Metro business. Non-revenue vehicles (NRVs) are assigned in pools at various locations or assigned to an individual employee.

As of June 30, 2022, Metro's non-revenue fleet consisted of 1,416 vehicles, which includes sedans, mini vans, SUVs, trucks, and full-size vans allocated to Departmental Pools, Company Equipment, General Services' Pool and 24-Hour assignments. See Attachment A for details.

Metro's policy for Non-Revenue Passenger Vehicles (GEN 16) provides guidelines to employees who use an NRV to carry out Metro business. The policy includes guidelines on eligibility for vehicle assignments, 24-hour assigned vehicles, pool vehicles, overnight use, reporting requirements for personal use, vehicle operation and fleet maintenance. (See Attachment B)

The Non-Revenue Department (also known as "NR") is responsible for managing the procurement, distribution, maintenance and retirement of all NRVs. NR also monitors the assignment and usage of NRVs.

General Services, on the other hand, is responsible for managing the vehicle pool at Metro Headquarters (Gateway) for use by all departments located at Gateway for business purposes.

The Projects, Grants & Capital Assets Unit of the Accounting Department is responsible for accurate and timely recording of transactions related to NRVs based on the information provided by the Non-Revenue Department. The Payroll Department calculates the withholding tax of the taxable benefit for employees' use of NRVs.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted the following findings that warrant Metro management attention for improvement:

1. Metro Vehicles Provided to LAPD Not Recorded in Metro's Non-Revenue Fleet

In 2018, the LAPD purchased 80 vehicles for \$4.3 million as part of their contract for law enforcement services with Metro (LAPD Contract No. PS5862100LAPD24750). We noted that these vehicles were not recorded in Metro's non-revenue fleet. According to Metro's Operations department for non-revenue vehicles, these vehicles are not on their inventory list because "*Non-Revenue is not aware of these vehicles as they were not purchased nor received by the Non-Revenue Department.*"

These vehicles are Metro's assets because they were purchased by LAPD on behalf of Metro as provided for in Metro's contract with LAPD for law enforcement services. Additionally, the contract states, "*Unless otherwise agreed upon by the Parties, all LACMTA-funded and LACMTA-provided equipment shall be returned by Contractor to LACMTA upon termination of this Contract in the same condition in which it was provided to Contractor, less regular wear and tear. Contractor will provide necessary documentation to evidence the transfer of title to LACMTA, as it relates to vehicles purchased by the Contractor on behalf of LACMTA.*"

The vehicles were initially recorded in Metro's financial system incorrectly as Contract Services - an operating expense, instead of a capital expenditure, as this was the account indicated by the cost center when the purchase was made in 2018. In our previous audit (21-AUD-07: Audit of Controls over Metro's Equipment Management System dated June 10, 2021), this issue came to our attention and while it was not within the scope of the said audit, we brought it to Metro management attention and recommended that correcting entries be made. Accounting, in coordination with System Security and Law Enforcement, reclassified the non-revenue vehicles to capital assets in June 2021.

While the LAPD vehicles were included in the inventory of Accounting, they were not included in Metro's non-revenue fleet of the Non-Revenue Department. The department's Supervisor stated that they were not aware of the purchase since they were not advised of this purchase by Metro's System Security and Law Enforcement Department or the Procurement Department, and the vehicles are being serviced and maintained by LAPD. It should be noted that as part of the contract, Metro paid LAPD for the vehicle maintenance costs.

These vehicles were not included in the non-revenue fleet and were not properly accounted for and monitored by the Non-Revenue Department or the cost center. Further, if they were misclassified to incorrect accounts, Metro's asset inventory does not properly reflect its financial position in regards to capital assets.

Recommendations

Non-Revenue Department

- Record the LAPD vehicles in Maintenance and Materials Management System (M3).

Security System & Law Enforcement and Vendor/Contract Management

- Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial account(s).

Security System & Law Enforcement

- Ensure that the purchase of non-revenue vehicles, or any asset that meets the threshold of capital expenditure, are recorded correctly as capital assets, and not as an operating expense.
- Ensure that the correct account is used for each component of the contract; i.e. services are recorded as operating expenses and non-revenue vehicles or equipment are recorded as capital or fixed assets.
- Monitor the usage of LAPD vehicles by obtaining mileage periodically.
- Prepare for the return of the NRVs, as provided for in the contract, upon contract termination.

2. Three Employees with 24-Hour Assigned Vehicles Received Transit Subsidy

Metro's GEN 16 policy states that "*employees assigned a 24-hour assigned vehicle will not be eligible to receive transit subsidies.*" However, we found three Metro employees who were assigned 24-hour vehicles and also received a transit subsidy for public transportation for a combined total amount of \$1,683.

A Senior Manager from Program Management explained that although he was assigned the vehicle on May 28, 2022, he did not take possession of the vehicle until after June 3rd because it was not in running condition. He added that he renewed his Metrolink pass (Transit Subsidy) for June as he did not know when the vehicle would be ready for use. On November 4, 2022, he refunded Metro \$147 for his monthly transit subsidy.

Two Directors from Rail Fleet Services received transit subsidies for three months amounting to \$756 and \$780, respectively. One Director ~~employee~~ stated that he officially started using the vehicle in March 2022. However, as confirmed by the Non-Revenue Department and based on the signed Vehicle Pick Up Log, he picked up the vehicle on 1/12/2022.

The other Director explained that receiving the transit subsidy during the period in question was an "*innocent mistake.*" He added that he did not use the 24-hour assigned vehicle for commuting

to work in an effort to “*be more green*,” removing an additional vehicle from the roadways, and absorbing the additional monthly expense of a commuter train for his work commute.

Metro’s Rideshare Program Administrator (RPA) stated that she periodically performs and audits 24-hour vehicle assignees and checks if they also receive a transit subsidy. In December 2021 and March 2022, she notified two of the above employees that they were removed from the Employee Rideshare Program and informed them that they may be responsible to reimburse Metro for the passes they actually redeemed in the amounts of \$756 and \$780, respectively.

It would also be helpful if the Non-Revenue Department can indicate the date that the vehicle assignment type was changed from 24-hour to non-24 hour and vice versa to determine if an employee is eligible to receive a transit subsidy or not.

Recommendations

Rail Fleet Services and Systems Engineering

- Instruct the recipients of 24-hour assigned vehicles to comply with Metro’s GEN 16 policy; do not redeem transit subsidies for the bus/rail pass once a 24-hour assigned NRV is received.
- Management should discuss with the employees who received a transit subsidy while assigned a 24-hour vehicle to determine the amount of money Metro should be reimbursed.

Non-Revenue Department

- Provide the Rideshare Program Administrator (RPA) with a copy of the Vehicle Request Form for any new 24-hour NRV assignment. Include the RPA in the distribution list of the Vehicle Request Form. This was also recommended in the prior audit conducted by Management Audit Services in 2015 (Report No. 13-OPS-P02: Performance Audit of Efficiency and Effectiveness of Non-Revenue Vehicle Usage); however, to this date, this has not been implemented.
- Indicate the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa in M3.
- Add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to a transit subsidy.

Workforce Services

- On a monthly basis, obtain a list of 24-hour assigned vehicles from the Non-Revenue Department and reconcile this list with transit subsidy recipients.
- Consider adding a reminder in the monthly notification that no transportation subsidy is allowed if the employees have 24-hour assigned vehicles.

3. Delay in Placing New NRVs into Service

For the fiscal year ended June 30, 2022 (FY22), Metro purchased 62 non-revenue vehicles (NRVs), as shown in the table below:

Table 2: Non-Revenue Vehicles Acquisition in FY22

Vehicle Type	No.	Amount
Large Utility Truck, Gas	34	\$ 1,832,628
Large Utility Truck, Diesel	3	1,080,869
Full Size Van	25	778,014
Total	62	\$ 3,691,511

Source: Metro Accounting Department

We reviewed a sample of nine NRVs with purchase cost of \$1,597,373 or 43% of the total acquisitions during FY22. The new NRVs were authorized, adequately supported by documents, and recorded correctly. However, we noted that some NRVs were not placed into service until several months after they were delivered to Metro.

According to the Equipment Engineering Supervisor of the Non-Revenue Department, there are various reasons causing delay in placing the unit into service, such as the following:

- The result of shop inspections. If there are any issues that do not comply with Metro’s specifications and requirements, such issues are reported to the vendor for their immediate action. However, the time frame to resolve such issues depends on how quickly the vendor responds, the nature of the issue, and their availability of labor and parts;
- Training, if required, has to be coordinated with the end user(s), the vendor and the Non-Revenue department; and
- The time frame to obtain the license plates.

Our review found that eight out of nine sampled new NRVs were placed into service between five to nine months after they were received by Metro. Further, three NRVs were not placed into service until five to seven months after the vendor was paid. One unit, a utility truck, which was originally received in July 2021, had to be returned to the vendor to fix the back camera on the truck which would not turn off. The vendor relocated the camera and the truck was returned to the Non-Revenue Department in April 2022, after which it was placed into service in May 2022, almost a year after it was first received. Other reasons given for the delay in placing the NRVs into service were missing battery box cover, floor mats, and a delay in receiving Fleetwatch devices.

The delay in placing the NRVs into service means that Metro paid for the vehicles without the benefit of using them during the time the issues were pending resolution by the vendor.

Recommendation

- Metro staff involved in NRV procurement should ensure that the vendor complies with all the requirements of the purchase contract by Metro, and delivery of NRVs are free of any defects that would prevent full utilization of the vehicles and placing the units into service upon delivery. Payment for NRV purchases should only be made to the vendor after the units were inspected and verified to meet the specifications required by Metro. An adequate supply of Fleetwatch devices should be ordered in advance of receiving new vehicles so they may be promptly installed.

4. Stolen Vehicle Not Retired in the System in a Timely Manner

During FY22, Metro retired 70 non-revenue vehicles with a total cost of \$2,233,476. We reviewed a sample of 24 retirements costing \$779,261, or about 35% of the total retirements. These vehicles were all sold through auction.

However, we noted that only those sold were reported by Non-Revenue Department to Accounting on a timely basis. The non-revenue fleet included a vehicle which was reported stolen in August 2021 but has not yet been retired in Accounting records because the Non-Revenue Department did not inform them. Accounting said they will reach out to the Non-Revenue Department on the next steps so they can properly record the value of the stolen vehicle.

Disposal of non-revenue vehicles should be recorded in a timely manner to ensure an accurate inventory and properly reflect Metro’s financial position in regards to capital assets.

Recommendation

- Metro’s Non-Revenue Department should inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.

5. Insufficient Documentation for 24-Hour Assigned Vehicles

Metro’s GEN 16 policy for Non-Revenue Passenger Vehicles states, “*Non-Revenue Department will maintain appropriate documentation and update the 24-hour assigned vehicle list annually.*”

Section 1.2 states, “*Twenty- four (24) hour NRV assignments to any LACMTA employee will be made upon Executive Officer/DEO recommendation and Chief Executive Officer (CEO)/Chief Operations Officer (COO) approval*”.

As of June 30, 2022, there were 100 24-hour assigned vehicles.

In December 2021, the list of employees who were assigned 24-hour vehicles was submitted to the former Chief Operating Officer (COO) for annual approval. Our review of the Annual Approval Forms and Vehicle Request Forms disclosed the following:

- The Non-Revenue department did not have a Vehicle Request Form for two employees who were assigned 24-hour vehicles in 2020 and 2021, respectively; and
- Eleven employees who were assigned 24-hour vehicles in 2022 did not have the Vehicle Request Forms approved by the COO.

It is important that the 24-hour vehicle assignment is approved by the authorized signatories to ensure that the assignment is valid, authorized, and justified.

Recommendations

- Ensure that Vehicle Request Form is approved by the authorized signatory according to Metro Policy.
- Upload the Vehicle Request Form for 24-hour assigned vehicles to the Maintenance and Materials Management System (M3) to properly record the vehicle assignment.

6. Low Utilization of 24-Hour Assigned Vehicles and Department Pool Vehicles

a. 24-Hour Assigned Vehicles

Based on Metro's GEN 16 policy, 24-hour non-revenue vehicles may be assigned to employees:

- If they are regularly required to respond to LACMTA emergencies outside of normal job hours;
- If the nature of their job requires regular visitation to one or more sites at irregular hours when use of public transportation is impractical; or
- At the discretion of the CEO/COO.

We reviewed the usage of the 24-hour assigned vehicles and calculated the average annual mileage using the vehicle's in-service date and the mileage recorded to date. The number of 24-hour assigned vehicles with their corresponding average annual mileage is summarized below:

Table 3
Mileage of 24-Hour Assigned Vehicles

Mileage	No. of Vehicles
1 - 5,000 Miles	12
5,001 - 10,000	33
10,001 - 15,000	30
15,001 - 20,000	15
20,001 - 25,000	7
Over 25,000	3
Total	100

Source: Metro's Non-Revenue Fleet Data

We found examples of 24-hour non-revenue vehicles where the average annual mileage appears to be much lower than the industry average of 15,000 (e.g., 515 and 1,376). Metro should continue to evaluate the assignment of these vehicles annually and determine if the 24-hour vehicle assignment is still appropriate given the purpose and business need of such vehicle when the average annual mileage is below industry standards.

One of the 24-hour vehicle assignees (Executive Officer, Customer Care), stated that she is considering turning in the vehicle because of low usage due to teleworking or occasional use of personal vehicle or public transportation.

As seen on Table 3, almost half of the 24-hour assigned NRVs have an annual average mileage of less than 10,000. Vehicles with annual usage below 15,000 miles may not be fully utilized and may be repurposed and or assigned to other staff or departments who may have a greater need, or low mileage users might share a vehicle.

GEN 6 section 1.7 states the Non-Revenue coordinator is to review pool vehicle and 24 hour assigned vehicles for usage. *"On a quarterly basis, all NRVs will be checked for usage by utilizing the Fleetwatch Fuel and Mileage Management System. If any NRV exhibits low usage, the manager of the unit to which it is assigned will be asked to justify its low usage. If the justification is determined to be invalid, the vehicle may be reassigned."*

b. Department Pool Vehicles

Departments are given vehicles which are used in a department pool, or for assignment to individual employees for field work during normal business hours. As of June 30, 2022, the department pool vehicles numbered 1,138 and consisted of 484 trucks and 654 passenger vehicles such as sedans, sport utility vehicles, and vans. Our review of mileage for the non-revenue passenger vehicles are as follows:

Table 4
Mileage of Passenger Vehicles in Department Pools

Mileage	No. of Vehicles
Less than 5,000 Miles	174
5,001 - 10,000	194
10,001 - 15,000	123
15,001 - 20,000	71
20,001 - 25,000	34
25,001 - 30,000	10
30,001 - 35,000	7
35,001 - 40,000	0
Over 40,000	1
No mileage reading	40
Total	654

Source: Metro’s Non-Revenue Fleet Data

Based on Table 4, 56% or more than half of passenger vehicles in a department pool has an average mileage of less than 10,000 per year.

The passenger vehicle with the lowest average annual mileage is a 2009 GMC van assigned to the vehicle pool for Cost Center 5430 (Revenue Collection) with mileage of 4,513 as of the reading date of 9/04/2022 – an average annual mileage of 347.

On the other hand, the vehicle pool for Cost Center 3234 (Vehicles Operation) includes a 2016 Ford Explorer with 291,077 mileage as of 9/25/2022, or an average annual mileage of 43,662.

Recommendations

- Metro’s Non-Revenue Department should evaluate the utilization of the 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction, re-assignment to other employees or departments who may better utilize the capital asset/NRV.
- Metro should review NRV utilization for all 24-hour assigned vehicles annually to maximize the effective use of its non-revenue fleet.

7. Non-Compliance with IRS Regulations on Taxable Benefits

Metro’s GEN 16 policy states, “Employees using a 24-hour, CEA, Pool or contractor-provided NRV to commute between home and work will be subject to taxable benefits for each daily commute. Employees must document all overnight use and use the annual taxable income reporting form, “24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form”

at the close of each calendar year to report usage.” (CEA is Company Equipment Assigned). This is to comply with the Internal Revenue Code (IRC) that requires a non-cash taxable benefit be assessed for the use of 24-hour NRVs, CEA/Pool or contractor-provided NRVs when used for non-business and commuting purposes.

The form requires information on the employees’ commuting trips from home to work and vice versa for the period covering November 1 through October 31 of each year and should be submitted to the Non-Revenue Department by November 15 of each year. The Non-Revenue Department, in turn, sends the completed forms to Payroll to calculate and withhold the appropriate tax for the employee’s fringe benefit.

General Services is also required to report the overnight use of General Services pool vehicles.

Our review of Taxable Benefit Commuter Mileage forms disclosed the following:

- Non-Revenue Department did not receive the required form for 2021 from 27 employees, because they either retired or separated from the Company. Thus, they were not taxed for the non-business use of vehicles.
- General Services did not submit the list of overnight use and Taxable Benefit Forms to Payroll for 2021 as required by Metro’s GEN 16 - Sections 1.3.2 and 1.5.4. General Services explained that due to Agency and department reorganization in October 2021 and staff turnover, they were not able to comply with this requirement.

Recommendations

Non-Revenue Department

- Coordinate with Human Capital and Development to include the Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.

Human Capital and Development (Talent Acquisition)

- Add a statement in the Supervisor’s Termination Processing Checklist and Clearance Order requiring the separating employee to submit a completed “24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form,” if applicable.

General Services

- Coordinate with Metro’s Information Technology Services department to generate a report on overnight use of General Services’ pool vehicles and comply with the IRS reporting requirement.

8. Non-Compliance in the Use of General Services Pool Vehicles

Metro's GEN 16 policy states that Vehicle Request Forms for NRVs require proper authorization including signatures from the Department's respective DEO and the Chief Operating Officer (COO). We found a Vehicle Request Form submitted to General Services without the required signatures. The staff who was in charge of the pool vehicles stated that there must have been an oversight.

Section 1.3 of GEN 16 policy also provides that "*an employee driving a Gateway Motor Pool NRV must return the keys to General Services daily, unless that employee has been granted overnight use.*" According to the Manager of Workforce Services who used to supervise the General Services pool vehicles, this policy resulted from a recommendation in the previous audit to increase vehicle availability per day. She added that "*the intent is to return units each day and each reservation gets a new vehicle.*" Thus, if a non-revenue pool vehicle is used for several days, an individual reservation request is required for each consecutive occurrence. However, the audit found that a pool vehicle was used continuously for several days with only one reservation request.

In addition, we also noted the following:

- Motor Pool Usage Report: The "Actual Dp Of" (actual drop off) date shows the date the "vehicle check in" was posted to M3 – not the actual date the vehicle was returned. For example: According to a Vehicle Check Out Form, the vehicle was returned on 6/08/2022; however, the Vehicle Check-In Form shows 6/09/2022 06:26 AM (the date the TCU Maintainer posted it to M3).
- Incorrect information on Vehicle Check-In Form: Employees reported an incorrect odometer reading when the vehicle was returned. For example, the odometer reading at check-in was lower than the odometer reading at check-out resulting in negative mileage, or mileage for a single day was more than 500,000 miles.

Recommendations

- Remind staff to always check for proper vehicle request approval; do not process the request without actual and proper approval.
- Clarify the policy on the use of vehicles for more than one overnight use; e.g. two to five continuous days.
- Request Information Technology Services (ITS) to modify the vehicle check-in date to reflect the actual date the vehicle was returned, and not the date the information was posted to M3.
- Instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately.

9. Incomplete Documentation and Lack of Monitoring Pool Vehicles

According to the Non-Revenue Department, it is the individual department's responsibility to keep a log of their vehicles' usage for monitoring purposes.

The Quality Assurance/Compliance of Program Management Department has two pool vehicles – each vehicle is assigned exclusively to two Senior Managers employees. We found the following:

The vehicle assignees did not properly document the use of their non-revenue vehicles. There were no current logs to record vehicle use and to properly document information such as the destination and purpose of the trip, date and time the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.

One employee provided us with the log records up to 2016 and the other employee completed the log through May 2022. It appears that vehicle usage is not monitored or checked, and the assignees discontinued using and completing the non-revenue vehicle logs.

An audit by the Office of the Inspector General for the MTA in New York in September of 2020 recommended the agency maintain vehicle use logs for all vehicles and should regularly collect, review, and approve them for completeness and accuracy. They further stated that maintaining and regularly monitoring vehicle logs is an internal control that allows management to track employee vehicle usage and to verify that employees are using vehicles for business purposes only. The agency agreed with the OIG's recommendation. [MTA/OIG Report #2020-15](#)

These vehicles were not 24-hour assigned vehicles; but one employee used it to commute to and from work. Metro's policy requires the Executive Officer/Deputy Executive Officer's recommendation and Chief Executive Officer/Chief Operations Officer's approval for overnight use, but no approval was provided to us by the employee.

The Senior Quality Engineer from the same department used a General Services pool vehicle more than 70 times from July 2021 to June 2022. He said that he cannot use their department's two pool vehicles since they were already assigned. However, based on the pool vehicle log records, the department pool vehicles were not used every working day by the assignees and could have been made available for use by other department employees.

In a prior audit conducted by Management Audit Services (Report No. 22-CON-P02: Performance Audit of Program Management Support Services dated November 10, 2021), one of the findings was non-compliance with GEN 16 policy and the recommendations included the importance of tracking and monitoring vehicle use and maintenance.

Management should periodically monitor the vehicle usage logs for their respective department pool vehicles to ensure that they are only used for business purposes.

Recommendations

Program Management

- Maintain vehicle use log records for each department pool vehicle with complete information such as employee's name, contact number, destination and purpose of the trip, date and time the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.
- Assign the immediate supervisor to thoroughly review vehicle usage records for completeness and accuracy and approve on a monthly basis.
- Consider allowing other employees to use the department's pool vehicles when they are not being used by the primary vehicle assignee.

Non-Revenue Department

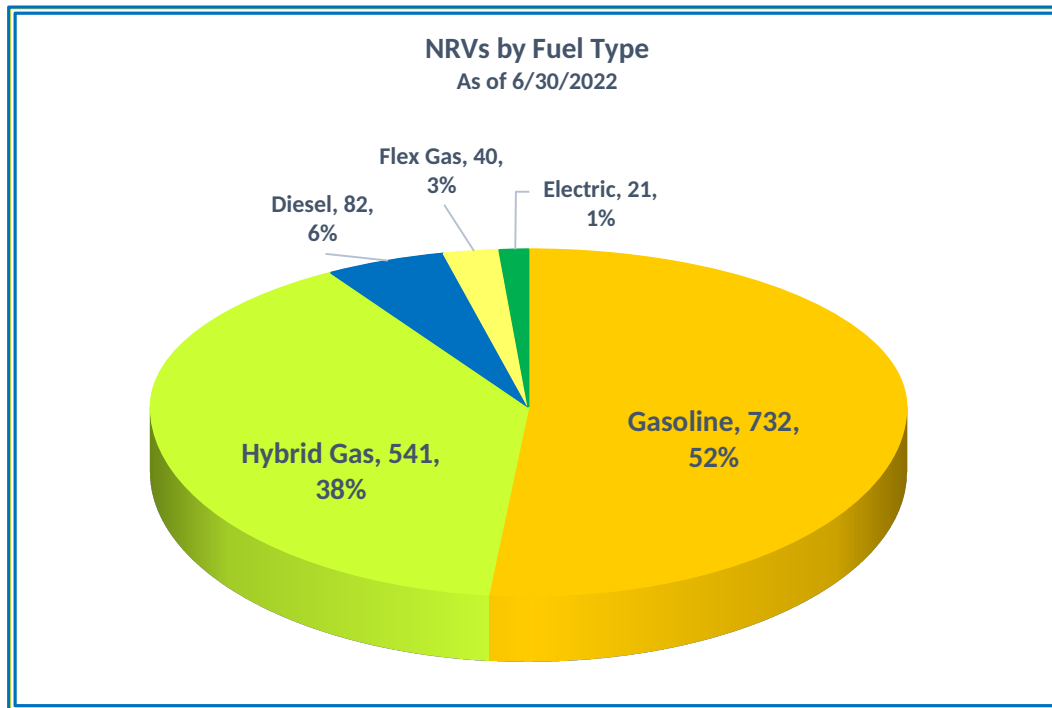
- Add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee's immediate supervisor.

OBSERVATIONS

1. Goal for a Green Fleet

As of June 30, 2022, Metro’s non-revenue vehicles by fuel type are as follows:

Figure 1: Non-Revenue Vehicles by Fuel Type



Source: Non-Revenue Fleet Data

Figure 1 shows that Metro has 21 non-revenue electric vehicles which were purchased in 2017 and 2018. We asked the Senior Director of Non-Revenue Department if they are planning to increase the percentage of electric vehicles. He responded that the department established a moving 10-year plan for vehicle replacement; however, funding (or lack thereof) often dictates the quantity of vehicles to be purchased. He added that in FY 23, the department has submitted requisitions for 58 electric vehicles to replace hybrid sedans and SUVs currently in use, although infrastructure challenges were, and continue to be the main hurdle. He also stated that they are “working towards a total green fleet as mandated by Metro’s Climate Action Plan, Metro’s Moving Beyond Sustainability Plan and current [California Air Resources Board] CARB rules. Gasoline will be used in some platforms until sufficient infrastructure is in place. Additionally, some specialty vehicles (hi-rail, rail bound and heavy duty mandating high torque and horsepower) are currently unavailable in zero emission vehicles or are available at 3 to 5 times what gasoline or diesel costs.”

Metro's electric vehicle charging infrastructure includes charging stations located at USG (10), CMF (3), Division 13, (6), Location 64 (3) and Division 18 (2). Four are currently being installed at Division 2. Division 24 has three for privately owned vehicle (POV) usage. Charger installations at Divisions 4, 7, 13, 15 and 18, as well as CMF and USG, are currently underway for the aforementioned 58 electric vehicles.

2. Safety

a. Seatbelts

All non-revenue vehicles have seat belt buzzers or chimes informing the operator of an unfastened seat belt.

b. Hand-Free Electronic Devices

Our review found that there is no cell phone holder for hands-free navigation use of a phone in any non-revenue vehicle.

In our prior review conducted in September 2022 (Report No. 2021-0054: Review of Controls Over Metro-Issued Cellphones), a Metro employee identified a limitation in using their cell phone with Metro's non-revenue vehicles (NRVs). The employee advised that a number of Metro's NRVs do not have cell phone mounts in the car which makes it difficult to have both hands on the steering wheel while driving. Although Metro-provided cell phones are issued with hands-free capability, speaker phone and Bluetooth features for cordless communication, the employee reported that the inability to mount the cell phone on the Metro's NRV's dashboard makes it difficult to pick-up a call easily or hear the caller when they are on the speaker phone. According to Information Technology Services, basic accessories such as a cell phone charger and a protective case are provided with the cell phones when deployed to an employee. Other accessories that may help the employee use their cell phone in a hands-free manner, such as a cell phone mount, need to be requested and procured through their respective department. Metro's IT8 policy should be updated to address the purchase and use of such accessories.

c. Vehicle Navigation

According to the Non-Revenue Department, less than ten vehicles came with or are equipped with navigation service. Vehicle navigation was provided by the vendor who was awarded the contract. The contract does not specify navigation in their purchases (only AM/FM and Bluetooth) and the need for navigation has not been discussed with nor brought up by the operators of NRVs.

3. Spare Tires and Jacks

The Non-Revenue Department stated that not all non-revenue vehicles carry a spare tire. Those that do are newer model vehicles that have a tire pressure monitoring system (TPMS) sensor on the spare. If the vehicle does not pick up the TPMS sensor, a constant light will appear in the dash

cluster. NRVs that experience a flat tire are remedied by a Non-Revenue on-call mechanic according to the Collective Bargaining Agreement with Metro and Amalgamated Transit Union (ATU).

4. Inconsistency Between the Policy and the Vehicle Request Form

GEN 16 states, “*Departments requiring NRVs for use in a department pool, or for assignment to individual employees for field work during normal business hours, must submit a Vehicle/Equipment Request Form to Non-Revenue Operations. This form will contain NRV user information, a justification for the use of the NRV, and approval signatures from the Department’s respective DEO and approval from the COO.*”.

However, we found that the Vehicle Request Form (VRF) shows that the request should be approved by “*DEO or Above,*” without requiring the COO’s approval. The form is not consistent with the policy. According to Non-Revenue Department, it is the immediate supervisor who knows the needs of his staff; thus, the DEO’s approval should be sufficient.

Non-Revenue Department should either revise the Vehicle Request Form or update the policy, whichever is applicable, to ensure compliance with the policy.

5. Insufficient Information in Maintenance and Material Management System

Metro’s Non-Revenue Department enters all information related to non-revenue vehicles into the Maintenance and Material Management System (M3) such as status of the vehicle, department, and assignment type, among others.

We found that in M3, the “assignment type” (24-hour or Non-Revenue General) is associated to the vehicle, and not to the employee. Thus, when an employee changes from 24-hour to Non-Revenue General or non-24 hour, there is no information as to when the change was made. This is important because employees who have been assigned 24-hour vehicles are not entitled to receive a transit subsidy. The Rideshare Program Administrator and Non-Revenue Department would not know if the employees end or resume their transit subsidy.

Follow up on the submitted service request (SR 54192) and coordinate with Information Technology Services to add this functionality in M3.

6. Category Description

The list of categories we obtained from Metro’s Non-Revenue Department includes Category 14 described as “Non-Revenue Truck: Hi-Rail Truck, Large, Diesel.” However, it is also being used for non-revenue hi-rail equipment, i.e. not necessarily an NRV.

Non-Revenue Department should create a new category for hi-rail equipment. This will ensure that non-revenue vehicles and equipment will be recorded to the correct financial accounts.

CONCLUSION

Metro's Capital Assets Unit of Accounting and Operations' Non-Revenue Department developed and issued detailed procedures and policies to record, monitor, and safeguard non-revenue vehicles (NRVs). Our audit found that Metro has adequate controls in place for acquisition, retirements, and safeguarding of NRVs. However, controls can be improved in the areas of recordkeeping, assignment and utilization of the vehicles, as well as in complying with the IRS regulations on taxable benefits for the use of NRVs. Coordination between Non-Revenue Department and other departments utilizing NRVs, coupled with close supervision of all Department Heads, would ensure adherence to and effective implementation of Metro policies and procedures.

RECOMMENDATIONS

To improve the controls over Metro's non-revenue vehicles, we provide the following 29 recommendations for departments involved in the management and use of NRVs:

Operations (Non-Revenue Department)

1. Record the LAPD vehicles in Maintenance and Materials Management System (M3).
2. Provide the Rideshare Program Administrator (RPA) with a copy of the Vehicle Request Form for any new 24-hour non-revenue vehicle assignment. Include the RPA in the distribution list of the Vehicle Request Form.
3. Metro staff involved in NRV procurement should ensure that the vendor complies with all the requirements of the purchase contract by Metro, and delivery of NRVs are free of any defects that would prevent full utilization of the vehicles and placing the units into service upon delivery. Payment for NRV purchases should only be made to the vendor after the units were inspected and verified to meet the specifications required by Metro. An adequate supply of Fleetwatch devices should be ordered in advance of receiving new vehicles so they may be promptly installed.
4. Add the following information in Maintenance and Material Management System (M3) or Vehicle Request Form:
 - Indicate the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa in M3.
 - Add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to transit subsidy.
5. Inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.
6. Ensure that the Vehicle Request Form is approved by the authorized signatories according to Metro policy.

7. Upload the Vehicle Request Form for 24-hour assigned vehicles to Maintenance and Material Management System (M3).
8. Evaluate the utilization of the 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction, re-assignment to other employees or departments who may better utilize the capital asset/NRV. Metro should consider reviewing the prior year utilization when issuing 24-hour assigned vehicles.
9. Coordinate with Human Capital and Development to include Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.
10. Add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee's immediate supervisor.

Operations (General Services)

11. Coordinate with Metro's Information Technology Services department to generate a report on overnight use of General Services' pool vehicles and comply with the IRS reporting requirement.
12. Remind staff to always check for proper vehicle request approval; do not process the request without the approval.
13. Clarify the policy on the use of vehicles for more than one overnight use; e.g. two to five continuous days.
14. Request Information Technology Services (ITS) to modify the vehicle check-in date to reflect the actual date the vehicle was returned, and not the date the information was posted to M3.
15. Instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately.

Operations (Rail Fleet Services) and Program Management (Systems Engineering)

16. Instruct the recipients of 24-hour assigned vehicles to comply with Metro's GEN 16 policy; do not redeem transit subsidies for the bus/rail pass once a 24-hour assigned NRV is received.
17. Management should discuss with employees their receipt of a transit subsidy while assigned a 24-hour vehicle and determine the amount of money Metro should be reimbursed.

Program Management

18. Maintain vehicle use log records for each department pool vehicle with complete information such as employee's name, contact number, destination and purpose of the trip, date and time

the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.

19. Assign the immediate supervisor to thoroughly review vehicle usage records for completeness and accuracy and approve on a monthly basis.
20. Consider allowing other employees to use the department's pool vehicles when they are not being used by the primary vehicle assignee.

Human Capital and Development (Workforce Services)

21. On a monthly basis, obtain a list of 24-hour assigned vehicles from the Non-Revenue Department and reconcile this list with transit subsidy recipients.
22. Consider adding a reminder in the monthly notification that no transportation subsidy is allowed if the employees have 24-hour assigned vehicles.

Human Capital and Development (Talent Acquisition)

23. Add a statement in the Supervisor's Termination Processing Checklist and Clearance Order requiring the separating employee to submit a completed "24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form," if applicable.

System Security & Law Enforcement and Vendor/Contract Management (Procurement)

24. Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial account(s).

System Security and Law Enforcement

25. Ensure that the purchase of non-revenue vehicle or any asset that meets the threshold of capital expenditure is recorded correctly as capital asset, and not as an operating expense.
26. Ensure that the correct account is used for each component of the contract; i.e. services are recorded as operating expenses and non-revenue vehicles or equipment are recorded as capital or fixed assets.
27. Monitor the usage of LAPD vehicles by obtaining mileage periodically.
28. Prepare for the return of the NRVs, as provided for in the contract, upon contract termination.

All Cost Centers

29. Request a 24-hour vehicle assignment if the department requires frequent or extended overnight use of NRVs for business purposes.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On February 10, 2023, we provided Metro Management a draft report. By March 9, 2023, Metro Management had submitted their responses summarizing their corrective actions as shown in Attachment C.

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.

Non-Revenue Vehicles Allocation

Non-Revenue Vehicles Allocation by Assignment Type As of June 30, 2022

Assignment Type	No. of Vehicles
24-Hour Assignment	100
Department Pools	1,138
CEA Vehicle Relief	158
General Services Pool Vehicles	17
CMF Vehicle Pool	3
Total	1,416

Source: Non-Revenue Fleet Data

Non-Revenue Vehicles – By Vehicle Type As of June 30, 2022

Vehicle Type	No. of Vehicles
Sedan	459
Full Size Van	260
Sport Utility Vehicle	194
Large Truck, Utility	277
Large Truck, Diesel	69
Pickup Truck, Gas	128
Pickup Truck, Diesel	10
Mini Van	17
Non Rev Bus	2
Total	1,416

Source: Non-Revenue Fleet Data

Non-Revenue Passenger Vehicles Policy (GEN 16)



Los Angeles County
Metropolitan Transportation Authority

Metro

GENERAL MANAGEMENT Non-Revenue Passenger Vehicles

(GEN 16)

POLICY STATEMENT

The Los Angeles County Metropolitan Transportation Authority (LACMTA) strongly encourages employees to use public transportation. Where the use of public transportation service is impractical, LACMTA may provide non-revenue passenger vehicles (NRVs) for employees' use to carry out LACMTA business. NRVs will be assigned in pools at various locations or assigned to an individual employee for LACMTA business.

Unauthorized, improper or illegal use of an LACMTA NRV is a serious offense and may result in disciplinary action, up to and including loss of access to NRV use and termination.

PURPOSE

This policy provides guidelines when LACMTA employees use a NRV to conduct LACMTA business.

APPLICATION

This policy applies to all LACMTA employees who use NRVs.





APPROVED: County Counsel or N/A Department Head ADOPTED: CEO

Effective Date: 10/16/20

Date of Last Review: _____

Non-Revenue Passenger Vehicles (GEN 16)


Double-Click to open GEN 16 Policy

Management Comments to Draft Report



Metro

Interoffice Memo

Date	March 2, 2023
To	Karen Gorman Inspector General
From	Conan Cheung Chief Operations Officer 
Subject	Management Response to Draft Report on Controls Over Metro's Non-Revenue Vehicles – Phase I; Audit Report No. 23-AUD-04

Operations Management reviewed the Draft Report on Controls Over Metro's Non-Revenue Vehicles – Phase I; Audit Report No. 23-AUD-04. Operations will update and monitor policies and procedures to comply with the recommendations outlined in the draft report for departments within Operations and partner with other Metro Departments in support of their efforts to address the recommendations to improve internal controls relative to procurement, assignment, and documentation related to non-revenue vehicles. The following identifies actions to be taken by Operations Non-Revenue Department to comply with the recommendations from the audit:

Operations (Non-Revenue Department)

Recommendation # 1

Record the LAPD vehicles in Maintenance and Materials Management System (M3).

Management Response: Agree; Operations Non-Revenue Department will record the LAPD vehicles in Maintenance and Materials Management System (M3) and request that Vendor Contract Management (VCM) or any other department purchasing non-revenue vehicles notify the Non-Revenue Department for inclusion of those vehicles in M3.

Completion Date: March 31, 2023

Recommendation # 2

Provide the Rideshare Program Administrator (RPA) with a copy of the Vehicle Request Form for any new 24-hour non-revenue vehicle assignment. Include the RPA in the distribution list of the Vehicle Request Form.

Management Response: Agree; the Rideshare Program Administrator (RPA) will be provided with a copy of the Vehicle Request Form for any new 24-hour non-revenue vehicle assignment, and the RPA will be included in the distribution list of the Vehicle Request Forms.

Completion Date: March 2, 2023

Management Comments to Draft Report

Recommendation # 3

Metro staff involved in NRV procurement should ensure that the vendor complies with all the requirements of the purchase contract by Metro, and delivery of NRVs are free of any defects that would prevent full utilization of the vehicles and placing the units into service upon delivery. Payment for NRV purchases should only be made to the vendor after the units were inspected and verified to meet the specifications required by Metro. An adequate supply of Fleetwatch devices should be ordered in advance of receiving new vehicles so they may be promptly installed.

Management Response: Agree; the Non-Revenue Department will ensure that the vendor complies with all contract requirements to ensure that NRVs delivered are free of any defects that would prevent placing the units into service upon delivery. Payment for NRV purchases will only be made to the vendor after the units are inspected and verified by the Non-Revenue Department to meet specifications. Fleetwatch devices are maintained in stock and will be ordered in advance of receiving new vehicles.

Completion Date: **March 2, 2023**

Recommendation # 4

Add the following information in Maintenance and Material Management System (M3) or Vehicle Request Form:

- Indicate the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa in M3.
- Add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to transit subsidy.

Management Response: Agree; the Non-Revenue Department will include a note in M3 that identifies the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa and add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to transit subsidy.

Completion Date: **March 31, 2023**

Recommendation # 5

Inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.

Management Response: Agree; the Non-Revenue Department will inform Accounting of any stolen vehicle that has not been recovered within 30 days, and Non-Revenue will continue to inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.

Completion Date: **March 2, 2023**

Recommendation # 6

Ensure that the Vehicle Request Form is approved by the authorized signatories according to Metro policy.

Management Response: Agree; the Non-Revenue Department will ensure that the Vehicle Request Form is submitted by the department Executive Officer (or above) and approved by the CEO or COO according to Metro policy.

Management Comments to Draft Report

Completion Date: March 2, 2023

Recommendation # 7

Upload the Vehicle Request Form for 24-hour assigned vehicles to Maintenance and Material Management System (M3).

Management Response: Agree; the Non-Revenue Department will ensure that all Vehicle Request Forms for 24-hour assigned vehicles are uploaded into the Maintenance and Material Management System (M3).

Completion Date: March 31, 2023

Recommendation # 8

Evaluate the utilization of the 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction, re-assignment to other employees or departments who may better utilize the capital asset/NRV. Metro should consider reviewing the prior year utilization when issuing 24-hour assigned vehicles.

Management Response: Agree; the Non-Revenue Department will continue to evaluate the utilization of 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction or re-assignment to other employees or departments. The prior year utilization of department assigned vehicles will be evaluated prior to issuing 24-hour assigned vehicles.

Completion Date: March 2, 2023

Recommendation # 9

Coordinate with Human Capital and Development to include Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.

Management Response: Agree, the Non-Revenue Department will request Human Capital and Development to include the Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.

Completion Date: March 31, 2023

Recommendation # 10

Add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee's immediate supervisor.

Management Response: Agree, the Non-Revenue Department will add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee's immediate supervisor, and request the review and approval of the modified GEN 16 policy by Senior Executive Management.

Completion Date: March 31, 2023 policy update, with approvals by June 30, 2023

Management Comments to Draft Report

Recommendation # 11

Coordinate with Metro's Information Technology Services department to generate a report on overnight use of General Services' pool vehicles and comply with the IRS reporting requirement.

Management Response: Agree; Director General Services has met with ITS and received training on how to generate a report on overnight use of General Services pool vehicles. Director, General Services has a tickler entered into her Outlook calendar to generate and submit this report to Accounting on November 1st of each year.

Completion Date: January 13, 2023 – completed training with ITS
November 1, 2023- will send overnight use of General Services pool vehicles report Accounting

Recommendation # 12

Remind staff to always check for proper vehicle request approval; do not process the request without the approval.

Management Response: Agree; Standard Operating Procedure (SOP) will be developed outlining the requirements requesting a USG Headquarters Non-Revenue Pool Vehicle. SOP will include process for requesting, inspecting and returning vehicles. TCU Maintainers will be directed to verify appropriate approval is on form.

Completion Date: June 30, 2023

Recommendation # 13

Clarify the policy on the use of vehicles for more than one overnight use; e.g. two to five continuous days.

Management Response: Agree; Department will also clarify the policy on the use of vehicles for more than one overnight use with Non-Revenue and Inspector General's office. This will be incorporated into the Standard Operating Procedure (to be developed). General Services will work with ITS to modify the Vehicle Request Pool Form to enforce one form per business week.

Completion Date: June 30, 2023

Recommendation # 14

Request Information Technology Services (ITS) to modify the vehicle check-in date to reflect the actual date the vehicle was returned, and not the date the information was posted to M3.

Management Response: General Services will provide training to its TCU Maintainers and Supervisors to generate a report on the dates the keys were returned to the Electronic Key Box. The department needs to check with ITS to determine if modifying the date the vehicle was returned in M3 to reflect the actual date the vehicle was returned rather than when the keys were retrieved from the Key Box is feasible.

Completion Date: June 30, 2023

Management Comments to Draft Report

Recommendation # 15

Instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately.

Management Response: Agree; General Services will instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately. TCU Maintainers will also verify accuracy of mileage which instruction will be incorporated into the Standard Operating Procedure. Department will create instruction reminders in the form of stickers that will be posted on the dashboards of the Gateway Non-Revenue pool vehicles.

Completion Date: June 30, 2023.

Recommendation # 16

Instruct the recipients of 24-hour assigned vehicles to comply with Metro's GEN 16 policy; do not redeem transit subsidies for the bus/rail pass once a 24-hour assigned NRV is received.

Management Response: Agree; RFS Senior Management along with NRV support will instruct all recipients of 24Hr vehicles to comply with Metro's GEN 16 Policy.

Completion Date: June 2023

Recommendation # 17

Management should discuss with employees their receipt of a transit subsidy while assigned a 24- hour vehicle and determine the amount of money Metro should be reimbursed.

Management Response: Agree; RFS Senior Management will discuss with employees their receipt of a transit subsidy while assigned to a 24Hr vehicle and determine if Metro is owed any reimbursement.

Completion Date: June 2023

CC: Diane Corral-Lopez
James Pachan
Gary Jolly
Daniel Ramirez
Donell Harris
Adam Robertson

Management Comments to Draft Report


Metro

Interoffice Memo

Date	February 24, 2023
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Robert Bonner Chief People Officer <i>Robert Bonner</i>
Subject	(Report No. 23-AUD-04) Audit of Controls over Non-Revenue Vehicles

Please see below the Human Capital and Development responses to the Recommendations in the Draft Audit Report for Audit of Controls over Non-Revenue Vehicles:

Recommendations

21. On a monthly basis, obtain a list of 24-hour assigned vehicles from the Non-Revenue Department and reconcile this list with transit subsidy recipients.

Response: Currently staff performs periodic audits to check on this and when an occurrence is identified the appropriate actions are taken. Staff concurs and will coordinate with the Non-Revenue Department to ensure that the Employee Rideshare Program staff is included in the monthly distribution of the report to allow the Employee Rideshare Program to reconcile the list with transit subsidy recipients on a monthly basis.

22. Consider adding a reminder in the monthly notification that no transportation subsidy is allowed if the employees have 24-hour assigned vehicles.

Response: Currently, Everbridge Notifications are sent out monthly to remind employees about their transit subsidy and continued agreement to comply with program requirements. Staff revised the message to include that those employees with 24-hour assigned vehicles are ineligible for transit subsidy, beginning in January 2023.

23. Add a statement in the Supervisor's Termination Processing Checklist and Clearance Order requiring the separating employee to submit a completed "24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form," if applicable.

Management Comments to Draft Report



Metro

Interoffice Memo

Response: The Supervisor's Termination Processing Checklist and the Clearance Order form have been updated to reflect the suggested language. The revised forms will be available for use no later than March 1, 2023.

Management Comments to Draft Report


Metro

Interoffice Memo

Date	March 3, 2023
To	Yvonne Zheng Senior Manager, Audit
From	Sameh Ghaly Chief Program Mgmt Officer (Interim) <small>Digitally signed by Sameh Ghaly; Date: 2023.03.03 17:38:43 -0800'</small>
Subject	Response to OIG Audit No. 23-AUD-04

This memo is in response to the Office of the Inspector General audit, 23-AUD-04, which found the following:

1. Insufficient Documentation for 24-hour Assigned Vehicles
2. Low utilization of 24-hour assigned vehicles and department pool vehicles
3. Incomplete documentation and lack of monitoring for department pool vehicles

Program Management agrees with the Office of the Inspector General (OIG) recommendations to:

1. Maintain vehicle use log records for each department pool vehicle with complete information such as employee's name, contact number, destination and purpose of the trip, date, and time the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.
2. Assign the immediate supervisor to review vehicle usage records for completeness and accuracy and approve on a monthly basis.
3. Consider allowing other employees to use the department's pool vehicles when they are not being used by the primary vehicle assignee.

Program Management's corrective actions are:

1. The department is drafting internal Non-Revenue guidance in accordance with GEN 16 which will incorporate the following:
 - a. Vehicle Usage Log reporting requirement.
 - b. Supervisor monitoring of vehicle usage log.
 - c. Sharing departmental vehicles when not in use by primary vehicle assignee.
 - d. Completion of required documentation for 24-hour Assigned Vehicles.
2. Staff will receive training on the internal Non-Revenue Vehicle guidance in the near future.

An interoffice memo has been sent to Program Management, reminding staff of the importance of complying with Metro Non-Revenue Vehicle Policy GEN 16.

Regarding the audit report note under Item 8 – "Non-Compliance in the Use of General Services Pool Vehicles" which notes a Sr Quality Engineer utilized a pool vehicle for more than 70 non-continuous days. It should also be noted that the employee complied with the policy by utilizing the established process for requesting a general pool car and returning the vehicle at the end of each day as required.

Management Comments to Draft Report

Please contact me at x83369 if you would like to discuss or require additional information.

Attachment:

Interoffice Memo to Program Management Staff


C: Asuncion (Susie) Dimaculangan, Sr Auditor

Kathy Knox, Sr EO, Project Management Oversight

Management Comments to Draft Report


Metro

Interoffice Memo

Date	March 3, 2023
To	Program Management Staff
From	Sameh Ghaly  Sameh Ghaly Chief Program Management Officer (Interim) <small>Digitally signed by Sameh Ghaly Date: 2023.03.03 17:43:33 +05:00</small>
Subject	Non-Revenue Vehicle Policy Compliance

Metro's Office of the Inspector General recently conducted an audit of Metro Non-Revenue Vehicles. For Program Management, the audit found insufficient documentation for 24-hour assigned vehicles, low utilization of assigned vehicles and department pool vehicles, and incomplete documentation and lack of monitoring for department pool vehicles. It is important all staff comply with the Non-Revenue Vehicle Policy GEN 16.

I am reminding staff to take the following actions:

1. Review Metro's Non-Revenue Vehicle Policy GEN 16 prior to utilizing a non-revenue vehicle. (See attached)
2. A vehicle usage log must be maintained for each non-revenue vehicle, noting driver, destination and purpose of visit, date and time, odometer readings, and fuel level. Supervisors should review the vehicle usage logs for accuracy and completeness at least monthly.
3. Only employees with approved 24-hour access are permitted to utilize vehicles overnight. If you are not sure if you have 24-hour access, please contact programmanagementadministration@metro.net.
4. All vehicles should be shared within the department, when not in use by the assignee. Underutilized vehicles will be recalled by the Non-Revenue Department and assigned to other departments within Metro.

Program Management is in the process of developing non-revenue vehicle usage detail guidance and providing staff training.

Attachment:
Non-Revenue Passenger Vehicles GEN 16

Management Comments to Draft Report



Metro

Interoffice Memo

Date	February 28, 2023
To	Yvonne Guan Zheng Senior Manager, Audit Office of the Inspector General
From	Ruben Lechuga Executive Officer System Security & Law Enforcement
Subject	Draft Report: Audit of Controls over Metro's Non-Revenue Vehicles (Phase 1) (Report No. 23-AUD-04)

System Security & Law Enforcement Management responses to the findings identified in the draft report for the Audit of Controls over Metro's Non-Revenue Vehicles (Phase 1) for the period of July 1, 2021, to June 30, 2022.

Finding 1:

Metro Vehicles Provided to LAPD Not Recorded in Metro's Non-Revenue Fleet

Recommendations:

1. Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial account(s)
2. Ensure that the purchase of non-revenue vehicles, or any asset that meets the threshold of capital expenditure, are recorded correctly as capital assets, and not as an operating expense.
3. Ensure that the correct account is used for each component of the contract; i.e. services are recorded as operating expenses and non-revenue vehicles or equipment are recorded as capital or fixed assets.
4. Monitor the usage of LAPD vehicles by obtaining mileage periodically.
5. Prepare for the return of the non-revenue vehicles as provided for in the contract, upon contract termination.

Management Comments to Draft Report

Response:

System Security & Law Enforcement (SSLE) Management agrees with the recommendations above.

1. SSLE will work with Vendor Contract Management and Non-Revenue to communicate any contractor procurement of vehicles.
2. SSLE's finance team will work with the Office of Management and Budget to ensure appropriate recording of any non-revenue vehicles as capital assets.
3. SSLE's finance team will work with the Office of Management and Budget to ensure appropriate account recording of any non-revenue vehicles.
4. SSLE will work with LAPD to provide a monthly mileage report of all Metro-purchased vehicles and share the information with the Non-Revenue department as determined necessary, whether monthly or quarterly.
5. SSLE's Project Manager of the contract will ensure timely return of all non-revenue vehicles during the close out process of the contract.


Date of Completion:

The estimated completion date for all corrective action is June 30, 2023.

Management Comments to Draft Report


Metro

Interoffice Memo

Date	February 23, 2023
To	Yvonne Guan Zheng, Senior Manager, Office of the Inspector General
From	Debra Avila  Debra Avila Deputy Chief, Vendor/Contract Management
Subject	Response to Draft OIG Report: Audit of Controls over Metro's Non-Revenue Vehicles (Phase 1)

Vendor/Contract Management's (V/CM) responses to the recommendation follow:

Recommendation No. 24

System Security & Law Enforcement and Vendor/Contract Management (Procurement)

24. Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial account(s).

Corrective Action: If unknown to the Non-Revenue Department, the Contract Administrators (CA) will inform the department requestor to advise the contractor to notify Metro of the purchased vehicle(s) to allow for recording of proper financial account(s). Instructions will be provided to the CA on the process to inform the requesting department. All communication from the CA to the requestors will be captured in the Procurement file under table of contents Award section "Other." Instructions to the CAs will be issued within 30 days of the Final Audit Report.

Recommendation No. 29

All Cost Centers

29. Request a 24-hour vehicle assignment if the department requires frequent or extended overnight use of NRVs for business purposes.

Corrective Action: V/CM will continue to comply with the agency procedures as implemented for frequent or extended overnight use of NRVs for business purposes.

CC: Nalini Ahuja, Chief Financial Officer
Robert Bonner, Chief People Officer
Conan Cheung, Chief Operations Officer
Sameh Ghaly, Deputy Chief Program Management Officer
Gina Osborn, Chief Safety Officer
Dr. Irma Licea, Executive Officer, Support Services V/CM

Final Report Distribution

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Audit of Controls Over Metro's Non-Revenue Vehicles (Phase I)

OIG Report No. 23-AUD-04
Karen Gorman, Inspector General

April 20, 2023



Objectives

The objectives of the audit were to determine whether:

- Metro has adequate controls in place to effectively manage non-revenue vehicles (NRVs) in such a manner that NRVs are properly identified, recorded, valued, and assigned;
- Additions and disposition/retirements of NRVs are accurately recorded;
- NRVs on record are in existence and are appropriately safeguarded; and
- Metro employees comply with IRS regulations on taxable benefits for the use of NRVs.



Results

- Adequate controls in place for acquisition, retirements, and safeguarding of NRVs.
 - Controls can be improved in the areas of recordkeeping, assignment and utilization of the vehicles, as well as in complying with the IRS regulations on taxable benefits for the use of NRVs.
- ❖ **OIG provided 29 recommendations.**

