



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 20, 2023

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2022 TO
SEPTEMBER 30, 2022**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2022 to September 30, 2022.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2022 to September 30, 2022. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2022 to September 30, 2022. For this period, miscellaneous expenses totaled \$1,043,757 for 405 transactions. We selected 52 expense transactions totaling \$435,155 for testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2022, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found six instances of non-compliance with Employee Relocation Assistance (HR 42) and Travel and Business Expense (FIN 14) policies.

Recommendations

We recommend the following:

Corporate Safety

1. Review the identified TBE Report and available documentation to determine whether there were duplicate expenses reimbursed or if there were any costs incurred for personal reasons that were in excess of the lowest reasonable rate, which should be reimbursed by the traveler to Metro.

Corporate Safety & Planning and Development

2. Instruct staff to submit TBE Reports in a timely manner; monitor and track staff travel activity and their respective TBE reports.

Operations (Rail Vehicle Acquisition & Bus Acquisition)

3. Remind the traveler and Department Head to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
4. Instruct staff to submit TBE Reports in a timely manner, monitor and track staff travel activity and their respective TBE reports.

Human Capital and Development (Talent Acquisition), Operations (Wayside Systems) & Chief Safety Office (SSLE)

5. Instruct the new employee, the hiring Department Head, the Chief Safety Office, and the Executive Officer of Talent Management to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Human Capital and Development (Workforce Services)

6. Remind the Travel Program Administrator to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
7. Continue to remind travelers to submit the TBE Report in a timely manner and according to policy.
8. Consider declining any reimbursement after a two-week reminder notice following the 30-day submission deadline if not justified and approved for an extension.

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 Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2022 to September 30, 2022 (Report No. 24-AUD-01)

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

**Statutorily Mandated Audit of
Miscellaneous Expenses
July 1, 2022 to September 30, 2022**

Report No. 24-AUD-01

August 25, 2023



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

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DATE: August 25, 2023

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit – by George Maycott
Office of the Inspector General

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
July 1, 2022 to September 30, 2022 (Report No. 24-AUD-01)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2022 to September 30, 2022. This audit was performed pursuant to Public Utilities Code Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. However, we noted the following issues on six of the sampled expenses reviewed:

- Non-compliance with Employee Relocation Assistance (HR 42) Policy
- Non-compliance with Travel and Business Expense (FIN 14) Policy

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

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To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Human Capital and Development, Operations, Program Management, System Security and Law Enforcement, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2022 to September 30, 2022. For this period, miscellaneous expenses totaled \$1,043,757¹ with 405 transactions. We selected 52 expense transactions totaling \$435,155 for testing. Thirty (30) of the expense transactions were randomly selected, four (4) were selected due to their large dollar amounts, and eighteen (18) were selected to add more samples for business travel and to sample other accounts. See Attachment A for a summary of the sampled expenses that were audited.

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 obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

¹ This total does not include transactions that were less than \$200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

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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 issues on the following transactions:

1. Non-Compliance with Employee Relocation Assistance (HR 42) Policy

The audit found the following instances of non-compliance with HR 42 policy by two employees:

In June 2022, the Director of Wayside Systems submitted an Employee Relocation Assistance Authorization Form and an Employee Relocation Expense Worksheet, and was reimbursed \$15,000 in August 2022. However, not all of the required documentation was obtained and/or provided by the employee.

In August 2022, the Deputy Chief, System Security and Law Enforcement (SSLE) Officer submitted an Employee Relocation Assistance Authorization Form and Employee Relocation Expense Worksheet and was reimbursed \$12,757.75 in August 2022. However, the reimbursement request included unauthorized expenses and did not include all required receipts and documentation.

a. Incomplete Documentation

- **Three cost estimates not submitted.** The Employee Relocation Assistance (HR 42) Policy requires that the new “*employee must obtain three cost estimates from reputable moving companies.*” Our audit found that both employees only provided one cost estimate and the invoice from the moving company they used.
- **No proof of residency.** HR 42 states, “*The new employee must provide proof of residency in the new geographic location within 30 days of employment.*” The policy requires at least one document indicating the new physical address. However, neither employee provided their required proof of residency.
- **No Original Receipts.** HR 42 states that “*all reimbursement requests must be accompanied by appropriate original receipts for expenses of \$10 or more.*” We found that no original receipts were provided by the Deputy Chief, SSLE for payments to Hawaiian Airline on April 26, 2022 for \$101 and on May 5, 2022 for \$625.13.

b. Unauthorized Expenses

We also noted the following instances of non-compliance with HR 42 by the Deputy Chief, SSLE:

- The policy states that Metro will reimburse for “*transportation by economy (coach) airfare ... for the employee and each family member (spouse/domestic partner and*

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dependent(s) currently living with the employee who will continue living with the employee).” The \$101 was noted on the airfare receipt as “comfort + coach seating.”. This payment appears to be for the cost of upgrading an airline ticket where the employee received personal gain, which is prohibited by the Travel & Business Expense Policy (FIN 14). The payment of \$625.13 is a no-receipt expense that was noted as “dog airfare” on an estimate from the airline for Air Cargo and a partial statement or other unknown document with details of the transaction. Additionally, a pet dog is not a spouse/domestic partner or family member dependent. The cost to ship the dog via Air Cargo should not have been paid for reimbursement, or listed on the Employee Relocation Expense Worksheet as airfare for a family member unless he sought a request and obtained approval for such an expense.

The policy allows for reimbursement of “*reasonable rental car fees for up to 30 days if the employee must report to work prior to the arrival of his/her car in Los Angeles.*” However, the policy also includes the following, “*Note: Rental car costs will not be included if the new hire is issued a non-revenue vehicle (NRV).*” The Deputy Chief requested and received reimbursement of \$988.12 in fees for a rental car from May 26, through June 16, 2022, but did not provide an estimate of when their car would arrive in Los Angeles. The expense reimbursement for a rental vehicle is duplicative having also been issued a NRV, contrary to HR42 policy.

It is important for employees and management to have a clear and consistent understanding of policies and procedures to help qualified new hires submit accurate and complete Employee Relocation Expense Worksheets and supporting documents. The Deputy Chief is responsible for complying with the terms of the policy while the hiring Department Head is responsible for reviewing and submitting all paperwork, including a justification memo approved by the Department Chief, and approving all relocation agreements, including the amount of assistance.

The new employees, the hiring Department Head, and the Executive Officer (EO), Talent Management should thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and ensure compliance with the Employee Relocation Assistance (HR 42). Policy

2. Non-Compliance with Travel and Business Expense (FIN 14) Policy

a. Planning & Development: Late Submission of Travel and Business Expense (TBE) Report

The Senior Director of Countywide Planning & Development attended the American Planning Association National Planning Conference in San Diego from April 30 to May 3, 2022. The Travel and Business Expense (TBE) Report with reimbursable expenses of \$934.76 was not approved until August 30, 2022, more than three months later.

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The Travel and Business Expense Policy (FIN 14) requires the “*TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.*”

The Senior Director explained that “*the delay stemmed from some miscommunications between our department admin staff and accounts payable for the payment of the expenses. I mainly remember how long it took to get reimbursed*” and that the admin at the time “*had some difficulties going back and forth over several weeks.*”

It is important that TBE reports are submitted in a timely manner so the expenses are recorded in the proper accounting period and their department’s budget balances are updated.

Staff should be instructed to submit Travel and Business Expense (TBE) Reports in a timely manner, monitor and track staff travel activity and their respective TBE report submission.

The traveler’s department and the Travel Program Administrator should keep track of travelers whose TBE Reports have not yet been submitted.

b. Operations (Rail Vehicle Acquisition): Late Submission of TBE Report, Incomplete Documentation, and Unsupported Expenses

The DEO of Project Management attended the 2022 American Public Transportation Association (APTA) Rail Conference in San Diego, California, from June 5 to June 8, 2022, and submitted a Travel and Business Expense (TBE) Report with a total reimbursable amount of \$992.78. However, travel ended on June 8 and the TBE report was not approved until August 16, two months later.

The TBE policy states that “*trip documentation such as conference schedules, completed registration forms and business itineraries as well as a detailed travel justification memo must be attached*” and the “*traveler should provide a copy of seminar/conference agenda or schedule.*” However, the DEO did not provide a complete conference agenda, schedule, or detailed business itinerary and did not provide a completed registration form. A partial agenda was provided with schedule information from the beginning of the seminar on June 4 through midday on June 6, but did not include schedule information from midday on June 6 through the end of the seminar on June 8. The DEO did not provide a completed registration form, registration invoice or registration receipts as required by policy.

The TBE policy (FIN 14) also states, “*Should a traveler need to change his/her schedule, he/she must notify the Travel Program Administrator (TPA) as soon as possible. Any change increasing the actual net cost by 20% or more must be approved by the original TA approver.*” The original TA was approved for the DEO to stay at the conference host hotel with an estimated cost of \$150 for miscellaneous gas, parking, etc. However, the DEO stayed at a different hotel several miles away from the conference location, which increased the actual cost for parking due to daily parking expenses at the conference host hotel and parking at the hotel used for lodging. While the DEO tried to defend the parking expense of \$225 (a 50%

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increase) through savings in lodging expenses, the original TA approver, management or the TPA was not notified of this change and the increased costs until a post-travel memo requesting approval and reimbursement of the increased expenses was submitted on July 13, 2022. The traveler explained that lodging at the host hotel was available when the initial request and justification memo were submitted on Friday, May 13, but was no longer available when the TA was approved the following Wednesday, May 18. For this reason, the traveler arranged for the nearest lodging available at the government per diem rate of \$181. Upon request, the traveler provided a complete conference agenda and schedule by email. Although the travel arrangements appeared reasonable and justification was attached to the TBE report, the DEO did not comply with current Metro policy in regard to proper notification, prior approval, and documentation requirements for travel and business expenses.

It is important for employees to have a clear and consistent understanding of policies and procedures to help them submit a complete and accurate TBE Report and that they contact the Travel Program Administrator as soon as a change occurs.

The TBE policy (FIN 14) also requires that the “*TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.*”

It is important that TBE reports are submitted in a timely manner so the expenses are recorded in the proper accounting period and their department’s budget balances are updated.

Staff should be reminded to submit TBE Reports in a timely manner. The traveler’s department and the TPA should closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy. The traveler and the TPA should thoroughly review the TBE Report for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses

c. Operations (Bus Acquisition): Late Submission of TBE Report and Unsupported Expenses

The Senior Manager of Project Control attended the First Article Inspection (FAI) performed in the manufacturer’s Springfield, Massachusetts manufacturing facility on May 4, 2022. A Travel and Business Expense (TBE) Report was submitted with a total reimbursable amount of \$752.91, which included unsupported expenses and was not approved until September 14, 2022 – more than four months later.

The TBE policy (FIN 14) explains that “*trip documentation such as conference schedules, completed registration forms and business itineraries as well as a detailed travel justification memo must be attached...the traveler should provide a copy of seminar/conference agenda or schedule.*” However, the TBE Report did not include a copy of the agenda prepared by the vendor. Trip documentation included a March 28 letter from the vendor inviting Metro and their representatives to attend the FAI on May 4, and stated “*We will prepare and send the agenda no later than 2 weeks prior to the FAI.*”

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The Senior Manager prepared and submitted a travel justification memo and draft agenda on April 13, with a “*Preliminary Meeting Agenda*” that included “*FAI Follow up (if any)*” on May 5. The agenda prepared by the vendor was not attached to the TA form prior to travel or the TBE Report after returning from the trip. The traveler’s manager was notified and provided documentation prepared by the vendor that included a Project Meeting Sign-In Sheet with the dates listed as May 4 and 5, 2022.

The TBE policy (FIN 14) also requires that the “*traveler shall attach all original receipts for expenses which are customarily, regularly and reasonably obtained – such as hotel bills, meal receipts, registration receipts, parking, taxis, vehicle rental receipts along with justifications and explanatory notes as needed for non-receipted expenses... Lost receipts will be handled on a case-by-case basis. Document the expense as completely as possible and get required approval from supervisor for non-receipted expense.*”

However, the TBE report included three non-receipted expenses for luggage and parking fees without justification, explanatory notes, or itemized memos with supervisor approval. The trip documentation included three pages that appear to be screenshots from a bank or credit card provider’s website showing Transaction Details with amounts and dates consistent with the non-receipted expenses.

Providing bank or credit card records for reimbursement of parking and luggage fees was a good attempt by the employee to show expenses, but does not comply with the TBE policy (FIN-14), which requires all original receipts that are usually obtained with certain expenses and specifies parking as an example of an expense for which original receipts are required. The traveler’s manager was notified and provided a copy of the original receipts for luggage fees and an itemized memo for non-receipted transactions that was approved on June 2, 2022. The original receipts and memo should have been attached to the TBE Report for invoice reconciliation and reimbursement approval.

The TBE policy (FIN 14) requires the traveler to make arrangements for a rental vehicle and classification appropriate for the size or purpose of the group using the vehicle based on these guidelines: *Subcompact/Compact for 1-2 travelers, Medium/Intermediate for 3 travelers and Full Size/Standard for 4-5 travelers*. However, while there was only one traveler, the rental vehicle reservation on 4/25/2022 shows the “*Car Type*” as “*Fullsize Auto*”, and the rental vehicle receipt shows the “*Car Class Driven*” and “*Car Class Charged*” as “*Full Car*”.

A Request for Information (RFI) was sent to the traveler who did not respond. The traveler’s manager provided documentation to address all other issues noted and stated the traveler will respond to the over-sized car rental. While the traveler did not respond to several RFI emails requesting information, the traveler’s manager sent an email on June 27, 2023 with the traveler’s explanation, stating that he was given the “*Full Car*” since it was the only available vehicle at that time which was late at night (midnight Eastern time zone which was actually 3:00 am PST time). The email from the manager did not include a forwarded or attached email from the traveler directly. It appears neither the traveler or their manager could explain or defend the submitted receipt for a full-size rental car when there was only one traveler. Based

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on our discussion with the vehicle rental provider, the rate for a Full-Size vehicle is higher than Economy and Compact vehicles, and it is also generally higher than Midsize and Standard vehicles.

It is important for employees to have a clear and consistent understanding of policies and procedures to help them submit a complete and accurate TBE Report with proper documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.

The Travel and Business Expense Policy (FIN 14) also requires that the “*TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.*” However, we found the travel ended May 6, 2022, but the TBE report was submitted on August 24, and approved September 14, 2022, more than 4 months later.

It is important that TBE reports are submitted in a timely manner so the expenses are recorded in the proper accounting period and their department’s budget balances are updated.

Staff should be reminded to submit TBE Reports in a timely manner. The traveler’s department and the TPA should closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy. The traveler and the TPA should thoroughly review the TBE Report for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.

d. Corporate Safety: Late Submission of TBE Report and Unsupported Expenses or No Prior Approval

The Deputy Executive Officer (DEO) of Corporate Safety attended emergency ventilation fan testing performed at the manufacturer’s Pulaski, TN testing facility in May 2022 and submitted a Travel and Business Expense (TBE) Report with a total reimbursable amount of \$4,022.37, without supporting documentation and were not approved in advance.

The TBE policy (FIN 14) explains that “*trip documentation such as conference schedules, completed registration forms and business itineraries as well as a detailed travel justification memo must be attached...the traveler should provide a copy of seminar/conference agenda or schedule.*” The traveler did not provide a copy of an agenda or testing schedule obtained from the vendor showing tests to be performed in May, 2022. Trip documentation attached to the TBE Report included a 3/4/2022 “*Submittal Package for Approval*” from the vendor with a schedule of tests listed with various dates on weekdays (Monday through Friday) between March 7, and April 4, 2022. The documentation also included a travel justification memo submitted April 13, 2022, and an undated agenda prepared by the traveler which claims the tests “*...will be performed from April 11 – May 12*” and that the most critical “*tests will be from 5/5-5/10.*”

The TBE policy also requires that the “*traveler shall attach all original receipts for expenses which are customarily, regularly and reasonably obtained – such as hotel bills, meal receipts,*

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registration receipts, parking, taxis vehicle rental receipts along with justifications and explanatory notes as needed for non-receipted expenses... Lost receipts will be handled on a case-by-case basis. Document the expense as completely as possible and get required approval from supervisor for non-receipted expense.”

However, the DEO’s TBE Report included a non-receipted expense for gas on May 8, 2022 in the amount of \$53.37 without justification, explanatory note, or itemized memo with supervisor approval. The trip documentation included a page that appears to be a screenshot from a credit card provider’s website showing Transaction Details. Providing credit card records without the required documentation approved by the supervisor for non-receipted expenses is not in compliance with the TBE policy (FIN 14). Trip documentation included a hotel lodging bill but did not include an original receipt or receipt of payment for hotel lodging expenses. While an unpaid hotel bill was submitted, it does not reflect the amount paid after any potential discounts or additional charges and is not an original receipt.

The TA Form was submitted with an estimated miscellaneous travel expense of \$100 that did not include gas or parking, but the TBE report included reimbursable expenses of \$439.49 for parking and gas without any justification, explanatory notes or additional approval. Our review of parking receipts revealed multiple or duplicate receipts for payments of \$40.99 to reserve parking on May 11, 2022. The DEO provided a receipt for \$40.99 that was paid at 5:03 pm on Tuesday, May 10 that noted on the receipt, “Exit before: 05/11/22 at 12:20 PM”, while an additional parking receipt from early the next morning was provided showing payment of \$40.99 on Wednesday, May 11 at 5:58 am that noted, “Exit before: 05/11/22 at 12:09 PM.”

Metro should review the TBE Report and available documentation to determine whether the traveler was reimbursed for duplicate parking expenses and if any expenses should be reimbursed by the traveler to Metro.

The TBE policy (FIN 14) requires the Traveler Program Administrator (TPA) to make arrangements to have a rental vehicle and the vehicle’s classification appropriate for the size or purpose of the group using the vehicle based on included guidelines; “*Subcompact/Compact for 1-2 travelers, Medium/Intermediate for 3 travelers and Full Size/Standard for 4-5 travelers*”. However, there was only one traveler who booked a full-sized rental vehicle. The traveler could not recall the reason why a full-size vehicle was used, but suggested that it may have been a free upgrade due to their personal account or membership with the rental company. Our review found the rental vehicle reservation was booked by the traveler on April 15, 2022 for “*Type: Full size Auto A/C*” and the car rental receipt shows both Vehicle Class Driven and Vehicle Class Charged as “*Full Size 4 door/Automatic/Air.*”

It is important for employees to have a clear and consistent understanding of policies and procedures to help them submit a complete and accurate TBE Report with required trip documentation.

The TBE policy (FIN 14) requires “*Any personal travel being combined with business travel shall also be detailed on the TA Form. A separate request for time off must be approved and*

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included with the TA for Time Off with Pay (TOWP) or personal time off occurring during the trip.”

However, the traveler combined personal travel with business travel during the trip, in which the testing was reportedly completed on Tuesday, May 10. The traveler used TOWP for personal travel from Wednesday, May 11, through Friday, May 13, but did not provide a separate request for time off or disclose personal travel on the TA Form or TBE report. The TBE policy (FIN 14) explains that the “traveler must submit in a timely manner the completed and properly approved TA Form to the Travel Program Administrator (TPA) for processing. Tickets will not be issued without a complete and approved form. The TPA will finalize travel arrangements. Expenses for personal travel combined with business travel must be prepaid at this time.”

However, the TA form was submitted without detailing the personal travel that was combined with business travel when approved by the Department Chief on April 13. The traveler then purchased airline tickets the next day on April 14, and arranged hotel and car rental reservations on April 15, which did not allow the TPA to process the TA form or finalize the travel arrangements.

There were multiple violations of the TBE policy (FIN 14) due to the traveler making all travel arrangements personally without the proper notification, processing and involvement by the TPA, which allowed the traveler to combine personal travel with the approved business travel, to take personal travel and use TOWP during the trip without the required disclosure on the TA form and TBE Report, and to avoid the required pre-payment of expenses for personal travel. This also allowed the traveler to complete the TBE report with incomplete or inaccurate information by excluding the additional personal cost from the total cost paid by the traveler. For example, the estimated cost of the rental vehicle on the TA Form was \$240.12, and the same amount was claimed for reimbursement on the TBE report; however, the rental vehicle receipt shows the total cost paid by the traveler was \$401.48. Also, the TBE Report lists the travel period from May 5 to May 10, yet lists business expenses occurring on May 11, which include the rental vehicle expense and meal per diem for the last day of travel. However, the rental vehicle receipt shows it was returned and paid for on May 14, which was the last day of the trip after additional personal travel.

The TBE policy (FIN 14) explains that “*business travel is booked based on the most economical means to carry out company business. ...In all cases, the traveler shall accept the lowest reasonable rates offered. All travel costs incurred for personal reasons included by the TPA in the travel arrangements that are in excess of the lowest reasonable rate, should have prior approval of the traveler’s manager and should be reimbursed by the traveler to Metro.*”

However, the traveler booked travel arrangements that were not the lowest reasonable rates offered and incurred costs for personal reasons that were in excess of the lowest reasonable rate without prior approval of their manager and were not reimbursed to Metro. While the TA Form was submitted on April 8, and approved on April 13, with total estimated expenses of \$3,040.47, the TBE report submitted July 6, and approved July 13, included total reimbursable

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expenses of \$4,022.37. The increased travel cost is partially due to travel expenses that were not pre-approved, travel arrangements in excess of the lowest reasonable rate, and the traveler changing their schedule without required approval. Trip documentation included Concur Travel - search results from April 8, for flights departing May 4, and returning May 11, with the lowest rate of \$587.20 for nonstop flights between LAX and BNA (Nashville). However, all flights in the search results include an alert with the message “*Requires approval*” due to lower available rates for flights that are not nonstop.

The TA Form was submitted on April 8, and approved on April 13, with the estimated cost of airfare listed as \$438.60. The traveler could not book flight arrangements for \$587.20 through Concur Travel without prior approval. The traveler did not use Concur Travel and booked nonstop flight arrangements for \$877.20 through the airline’s website without justification or prior approval for the increased cost. Although the TBE Report was approved, Metro should review the reported expenses and the originally approved TA form to determine whether the traveler should reimburse Metro \$438.60 for the cost of travel arrangements in excess of the lowest reasonable rate and the estimated amount on the approved TA Form.

Other travel arrangements in excess of the lowest reasonable rate include lodging in Nashville, TN without justification or explanatory notes. The travel justification memo submitted on April 8, 2022, requested use of a rental vehicle due to the testing facility’s “*secluded distant location...more than 70 miles from the nearest airport, and 12 miles away from the nearest hotel.*” However, the traveler did not book lodging in Pulaski, TN, the city in which the testing facility is located or the next closest available lodging. The traveler booked lodging in Nashville, TN at a significantly higher cost than the lowest available rate and a distance of 83 miles away from the testing facility. The TBE policy (FIN 14) defines travel as a destination farther than 60 miles from the employee’s assigned worksite for overnight lodging consideration.

Therefore, arranging for overnight lodging more than 60 miles away from the testing location and temporary daily worksite does not appear to be justified. The daily rate or per diem for all TN locations without specified rates was \$96 for lodging and \$59 for meals. However, the specified rate in Nashville is the highest in TN at \$234 for lodging and \$79 for meals. The cost of staying in Nashville in excess of staying in any other city closer to the testing facility was an additional \$938 for lodging and \$130 for meals as well as an increased expense for fuel to commute from the lodging location to the temporary worksite each day.

The Travel and Business Expense Policy (FIN 14) states that “*Copies of approved TA form and airline ticket voucher or boarding pass/stub must be attached to the TBE.*” However, the traveler did not attach a ticket voucher or boarding pass to the TBE and explained that they were “*not able to find the boarding pass*” when requested during the audit.

The Travel and Business Expense Policy (FIN 14) requires that the “*TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.*” However,

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travel ended May 14, 2022, yet the TBE report was submitted July 6, and was not approved until July 13, 2022, two months later.

It is important that TBE reports are submitted in a timely manner so the expenses are recorded in the proper accounting period and their department's budget balances are updated.

The DEO, Travel Program Administrator (TPA), and Department Head should thoroughly review the TBE Report for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses. Staff should be instructed to submit Travel and Business Expense (TBE) Reports in a timely manner. Metro should review the TBE Report and available documentation to determine whether there were duplicate expenses or costs incurred for personal reasons that were in excess of the lowest reasonable rate that should be reimbursed by the traveler to Metro.

OBSERVATIONS

During this audit, we had the following observations that warrant Metro management's future attention:

1. A transaction was incorrectly recorded by Accounting to Cost Center 1310, Office of the Inspector General, instead of charging it to Cost Center 1110, Office of Board Administration. Upon our inquiry, Accounting corrected the cost center.
2. A new employee was issued a non-revenue vehicle (NRV) but did not provide a valid driver's license and the department that issued the NRV did not request or obtain proof of a valid driver's license before or at the time the NRV was issued.
3. During our audit, multiple employees voiced concerns about delays in the processing of Travel Authorization request forms and obtaining final approval by the Travel Program Administrator. Because the employees' planned travel was immediate, and they did not use the Metro [Travel Request/Authorization](#) system, they made travel arrangements themselves (hotel lodging, airfare, and transportation rental). In doing so, they bypassed the internal controls the travel system has in place to select the most appropriate and cost-effective travel arrangement. The travel arrangements made by the employees resulted in higher airfare, lodging, and transportation, well beyond what the travel system would have provided. In bypassing Metro's travel system, an employee may select an airline, lodging or ground transportation where they receive a benefit, such as frequent flyer miles, hotel bonus points and vehicle upgrades.
4. Employees are required by policy to complete, submit, and obtain an approved Travel Authorization (TA) form. While an approved TA may have been obtained prior to travel, some employees are making travel arrangements themselves, bypassing the Travel Request/Authorization system, resulting in travel arrangements that are uncontrolled and subsequently obtaining travel cost approval after returning from their travel.

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5. No policy exists regarding the use and reimbursement of smartphone/app-based ground transportation (Lyft, Uber) with regard to required documentation for levels of service, e.g. Economy, Premium, Luxury, and the respective availability versus service used and the amount of gratuity considered reasonable. Our review included a TBE Report with Uber expenses of \$209.35 and a transaction that included a \$6.66 fare with a \$5.00 tip which amounts to 75% gratuity.

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period. (Note: All amounts were based on the audit populations.)

a. Reviewed Quarter (FY23 Q1) versus Prior Quarter (FY22 Q4) Miscellaneous Expenses

Miscellaneous expenses this quarter decreased by \$3.1 million or 75% as compared to the prior quarter. See Table 1.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Jul-Sep 2022	Apr-Jun 2022	Increase (Decrease)
Advertising	\$ 46,212	\$ 3,014,383	\$ (2,968,171)
Business Meals	122,051	53,894	68,157
Business Travel	35,353	183,540	(148,187)
Corporate Membership	284,317	184,048	100,269
Professional Membership	8,528	14,673	(6,145)
Seminar and Conference Fee	53,816	133,625	(79,809)
Miscellaneous (50999) *	450,459	537,924	(87,465)
Others (Mileage and Parking, etc.)	43,021	32,307	10,714
Total	\$ 1,043,757	\$ 4,154,394	\$ (3,110,637)
Decrease from Prior Quarter			-75%

*Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

**Statutorily Mandated Audit of Miscellaneous Expenses
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**b. Reviewed Quarter (FY23 Q1) versus Same Quarter of Prior Year (FY22 Q1)
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter posted an increase of about \$563,000 or 117% as compared to the same quarter of FY 22. This is likely attributable to employees resuming in-person meeting and events following the pandemic peak period. See Table 2 for more details.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Jul-Sep 2022	Jul-Sep 2021	Increase (Decrease)
Advertising	\$ 46,212	\$ 33,016	\$ 13,196
Business Meals	122,051	8,619	113,432
Business Travel	35,353	7,521	27,832
Corporate Membership	284,317	222,000	62,317
Professional Membership	8,528	6,958	1,570
Seminar and Conference Fee	53,816	21,883	31,933
Miscellaneous (50999) *	450,459	143,374	307,085
Others (Mileage & Parking, etc.)	43,021	37,608	5,413
Total	\$ 1,043,757	\$ 480,979	\$ 562,778
Increase Over Same Quarter of Prior Year			117%

c. October 2021 to September 2022 versus October 2020 to September 2021

Miscellaneous expenses of \$6.8 million for the four quarters ending September 2022 posted an increase of \$200,000 or 3% as compared with \$6.6 million in the prior four quarters ending September 2021. This was mainly brought about by increases in business travel and business meals. See Figure 1.

**Statutorily Mandated Audit of Miscellaneous Expenses
July 1, 2022 to September 30, 2022**

Office of the Inspector General

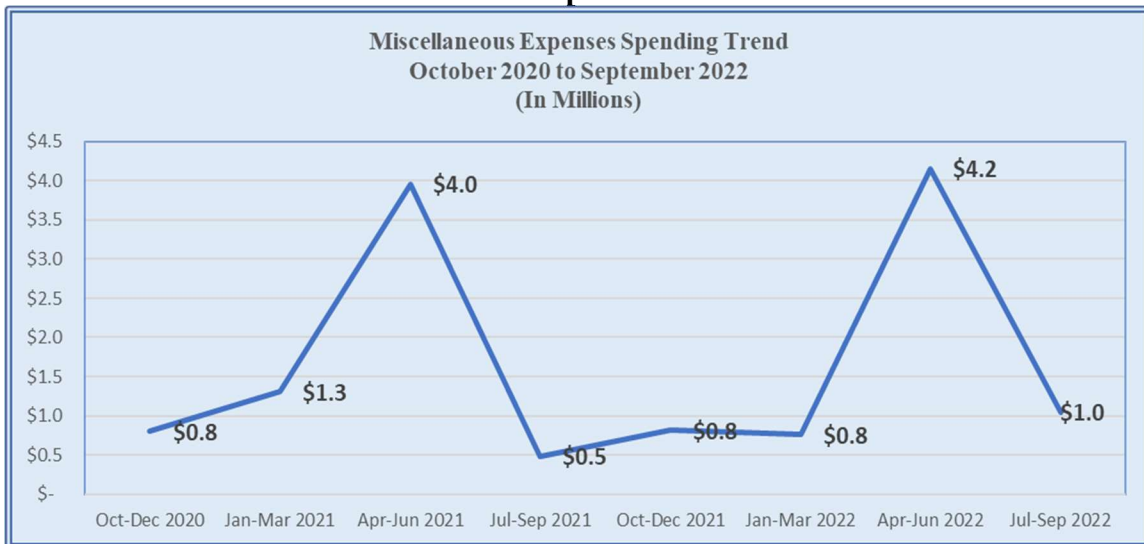
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**Figure 1: Miscellaneous Expenses per Quarter
Oct. 2021 to Sep. 2022 versus Oct. 2020 to Sep. 2021**



Figure 2 below shows the quarterly spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend
October 2020 to September 2022**



Miscellaneous expenses increased significantly at the end of each fiscal year due to accruals made in June to record expenses, especially advertising and other accounts, which were budgeted in the respective years.

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2022 to September 30, 2022

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CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found six instances of non-compliance with Employee Relocation Assistance (HR 42) and Travel and Business Expense (FIN 14) policies.

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

RECOMMENDATIONS

We recommend the following:

Corporate Safety

1. Review the identified TBE Report and available documentation to determine whether there were duplicate expenses reimbursed or if there were any costs incurred for personal reasons that were in excess of the lowest reasonable rate, which should be reimbursed by the traveler to Metro.

Corporate Safety & Planning and Development

2. Instruct staff to submit TBE Reports in a timely manner; monitor and track staff travel activity and their respective TBE reports.

Operations (Rail Vehicle Acquisition & Bus Acquisition)

3. Remind the traveler and Department Head to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
4. Instruct staff to submit TBE Reports in a timely manner, monitor and track staff travel activity and their respective TBE reports.

Human Capital and Development (Talent Acquisition), Operations (Wayside Systems) & Chief Safety Office (SSLE)

5. Instruct the new employee, the hiring Department Head, the Chief Safety Office, and the Executive Officer of Talent Management to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Statutorily Mandated Audit of Miscellaneous Expenses

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Human Capital and Development (Workforce Services)

6. Remind the Travel Program Administrator to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
7. Continue to remind travelers to submit the TBE Report in a timely manner and according to policy.
8. Consider declining any reimbursement after a two-week reminder notice following the 30-day submission deadline not justified and approved for an extension.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On August 8, 2023, we provided Metro Management a draft report. By August 24, 2023, Metro Management had submitted their responses summarizing their corrective actions as shown in Attachment B.

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.

**Summary of Sampled Expenses Audited
July 1, 2022 to September 30, 2022**

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program ²	\$ 12,008	\$ 12,644
50903	Business Meals	122,051	43,443
50905	Corporate Membership	284,317	242,948
50908	Employee Relocation	27,758	27,758
50910	Mileage and Parking	3,032	1,725
50912	Professional Membership	8,528	2,428
50914	Schedule Checkers Travel	223	223
50915	Seminar and Conference Fee	53,816	11,858
50917	Business Travel	35,353	16,071
50918	Advertising	46,212	37,048
50930	Employee Activities & Recreation ³	0	0
50999	Other Miscellaneous Expenses	<u>450,459</u>	<u>39,009</u>
	Total	<u>\$1,043,757⁴</u>	<u>\$435,155</u>

² FB Training (account # 50213) population was lower than sampled transactions because of a prior period accrual reversed in the reviewed quarter.

³ No expenses incurred for this quarter.

⁴ This total does not include transactions that were less than \$200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	August 25, 2023
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Gina Osborn Chief Safety Officer
Subject	Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2022 to September 30, 2022

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see our responses below to the recommendations pertaining to the Chief Safety Office.

Recommendation:

1. Review the identified TBE Report and available documentation to determine whether there were duplicate expenses or if there were any costs incurred for personal reasons that were in excess of the lowest reasonable rate, which should be refunded by the traveler to Metro.

Response: Staff concurs with the recommendation and as recommended on page 11 of the report, the Department Head will collaborate with the Travel Program Administrator to accomplish this task. This will be completed by the end of September.

2. Instruct Staff to submit TBE Reports in a timely manner, monitor and track staff activity and their respective TBE reports.

Response: Staff concurs with the recommendation. On June 13, 2023, the Risk, Safety, & Asset Management (RSAM) Department Head invited the Travel Program Administrator to conduct a comprehensive training session for his team on the Travel Policy and the procedures to follow for all Travel. This session was conducted on the Teams platform and emphasized the need for timely submittal of all TBE reports. RSAM will also monitor TBE reports closely to make sure they comply with the policy requirements.

Management Comments to Draft Report



Metropolitan Transportation Authority

Metro**Interoffice Memo**

Date	August 24, 2023
To	George Maycott Sr. Director, Special Projects, Office of Inspector General
From	Dolores Roybal Saltarelli Deputy Executive Officer, Transit Corridor Planning and Systems Analysis, Countywide Planning and Development
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2022 to September 30, 2022 (Report No. 24-AUD-01)

Thank you for the opportunity to respond to findings and recommendations prior to the final release of the Audit Report. It is our understanding that The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from July 1 to September 30, 2022. Please see below our responses to the Recommendation.

RECOMMENDATION**Countywide Planning and Development**

I have reviewed the audit report sent and I have discussed the recommendations with my staff member, the Sr. Director, in question on August 9th. We both concur with the recommendations. The Sr. Director is aware of the Travel and Business Expense policy and the deadlines associated with submitting travel expenses in a timely manner.

Response:

Agree with recommendations included in the draft audit report.

Signature:

Dolores Roybal Saltarelli

Reviewed:

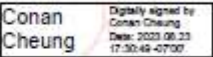
[Signature]
Chief Planning Officer

Management Comments to Draft Report



Metro

Interoffice Memo

Date	August 23, 2023	
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)	
From	Conan Cheung Chief Operations Officer	 Conan Cheung
Subject	24-AUD-01 Management Response to Audit of Metro Misc. Expenses July 2022 – September 2022	

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from July 1, 2022 – September 30, 2022. Although OIG found that the sampled transactions generally complied with Metro policies, two issues on six of the expenses were identified. Therefore, the actions below will be taken by Operations Rail Vehicle Acquisition & Bus Acquisition as well as Wayside Systems to comply with the recommendations from the audit:

Operations (Rail Vehicle Acquisition & Bus Acquisition)

Recommendation # 3

Remind the traveler and Department Head to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.

Management Response: Agree; A memo will be prepared informing staff to thoroughly review TBE Reports and ensure accuracy and completeness of all documentation to ensure reimbursements are issued correctly. Traveling employee/s and supporting staff will also be required to confirm this information with management during their semi-annual audits.

Completion Date: September 1, 2023

Recommendation # 4

Instruct staff to submit TBE Reports in a timely manner, monitor and track staff travel activity and their respective TBE reports.

Management Response: Agree; A memo will be prepared instructing staff to monitor and track staff travel activity and their respective TBE reports, as well as submit TBE Reports in a timely manner. Management will also perform partial audits of travel activity and TBE Reports on a semi-annual basis.

Completion Date: September 1, 2023

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Management Comments to Draft Report

Operations (Wayside Systems)

Recommendation # 5

Instruct the new employee, the hiring Department Head, the Chief Safety Office, and the Executive Officer of Talent Management to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Management Response: Agree: A memo will be prepared informing executive staff to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness. The hiring department head will also be required to confirm this information with the new employee as well as Talent Management to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Completion Date: September 1, 2023

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Matt Dake
Errol Taylor
Leticia Solis
Kelvin Zan
Jesus Montes

Management Comments to Draft Report



Metro

Interoffice Memo

Date	August 18, 2023	
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General	
From	Seleta Reynolds (Interim) Chief People Officer Chief Innovation Officer	<small>Seleta Reynolds Digitally signed by Seleta Reynolds Date: 2023.08.18 10:30:19 -0700</small>
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2022 to September 30, 2022	

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see our responses below to the recommendations pertaining to the Chief People Office.

Recommendation

5. Instruct the new employee, the hiring Department Head, the Chief Safety Office, and the Executive Officer of Talent Management to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Response: Staff concurs with the recommendation and will work collaboratively with the hiring Department Head to review the Employee Relocation Worksheet and supporting documents for accuracy and to ensure compliance with the Employee Relocation Assistance Policy (HR 42). In addition, the policy will be reviewed and updated if necessary to include pet expenses.

6. Remind the Travel Program Administrator to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.

Response: Staff concurs with the recommendation and will ensure that when TBE reports are reviewed, expense reports are accurate, and documents are complete.

Management Comments to Draft Report



Metro

Interoffice Memo

7. Continue to remind travelers to submit the TBE Report in a timely manner and according to policy.

Response: Staff concurs with the recommendation. TBE reminders were fully implemented during first quarter of FY23 to remind travelers to submit TBE reports according to policy.

8. Consider declining any reimbursement after a two-week reminder notice following the 30-day submission deadline not justified and approved for an extension.

Response: The reminder notifications implemented, notify an employee that if a TBE report is submitted after 30-day post travel, it will require CEO approval. A TBE submitted that does not include the CEO is rejected so traveler could resubmit with correct hierarchy. Staff will consider this recommendation and investigate further.

Final Report Distribution

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Jacquelyn Dupont-Walker
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Lindsey Horvath
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Metro

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Chief of Staff
Inspector General
Chief Financial Officer
Chief Operations Officer
Chief People Officer (Interim)
Chief Planning Officer
Chief Safety Officer
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses July to September 2022

OIG Report No. 24-AUD-01
Karen Gorman, Inspector General

September 20, 2023



Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures are adequate to ensure that expenses are documented and accounted for properly.



Metro

Results

- ❖ Staff generally complied with Metro policies but we found the following issues:
 - Non-compliance with Employee Relocation Assistance
 - Non-compliance with Travel and Business Expense
- ❖ OIG provided eight recommendations.

