



## Board Report

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**File #:** 2024-0396, **File Type:** Informational Report

**Agenda Number:** 20.

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**FINANCE, BUDGET, AND AUDIT COMMITTEE  
JULY 18, 2024**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2023, TO  
JUNE 30, 2023**

**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 April 1, 2023 to June 30, 2023.

**ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2023 to June 30, 2023. 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's miscellaneous expenses for the period of April 1, 2023 to June 30, 2023. For this period, miscellaneous expenses totaled \$3,087,015 with 1,292 transactions. We selected 58 expense transactions totaling \$1,149,825 for testing.

**DISCUSSION**

**FINDINGS**

The miscellaneous expenses we reviewed for the quarter of April 1 to June 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of non-compliance with Metro policy.

The findings include (a) missing required support documentation such as justification memos (b) mileage and ground transportation claimed twice, and (c) late submission of TBE report. We also noted that the cost of meals included in registration fees when travelling were not deducted or accounted for when completing Travel Authorization/Request forms.

Employees should be reminded to review invoices and TBE reports thoroughly, and adhere to all Metro policies and procedures.

## **RECOMMENDATIONS**

We recommend the following:

### Chief People Office

1. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.

### Operations (Rail Vehicle Acquisition)

2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.
3. Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.
4. Consider reimbursement to Metro for the overpayment of mileage.
5. Require staff to submit TBE Reports in a timely manner.

### Office of the Chief of Staff

6. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.
7. Require travelers to submit a justification memo if claiming the full Per Diem rate when meals are included in event registration fees.
8. Review all TBE Reports thoroughly and verify that all charges are accurate and properly

supported

### **FINANCIAL IMPACT**

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute to cost savings, efficiency, and better internal controls.

### **EQUITY PLATFORM**

It is OIG's opinion that there is no equity considerations or impacts resulting from 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 of April 1, 2023 to June 30, 2023. (Report No. 24-AUD-05)

Prepared by: Anthony Alvarez, Senior Auditor, (213) 244-7331  
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Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses  
April 1, 2023 to June 30, 2023**

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Report No. 24-AUD-05

June 25, 2024



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# **Statutorily Mandated Audit of Miscellaneous Expenses**

**April 1, 2023 to June 30, 2023**

**Office of the Inspector General**

**Report No. 24-AUD-05**

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**DATE:** June 25, 2024

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

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

**SUBJECT:** Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses  
April 1, 2023 to June 30, 2023 (Report No. 24-AUD-05)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2023 to June 30, 2023. 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 non-compliance with the Travel and Business Expense Policy (FIN 14, now GEN 65) on five of the sampled expenses reviewed.

## **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.

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

- Obtained and reviewed applicable policies and procedures;

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**Report No. 24-AUD-05**

- 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's miscellaneous expenses for the period of April 1, 2023 to June 30, 2023. For this period, miscellaneous expenses totaled \$3,087,016<sup>1</sup> with 1,292 transactions. We selected 58 expense transactions totaling \$1,149,825 for testing. Thirty-one (31) of the expense transactions were randomly selected, six (6) were selected due to their large dollar amounts, and twenty-one (21) 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.

## **RESULTS OF AUDIT**

### **1. No Justification Memo for Use of a Personal Vehicle and Excess Tip Reimbursement**

The Deputy Chief People Officer (DCPO) of Communications traveled to attend the Workhuman Live event in San Diego, CA from April 17 to 20, 2023. The traveler submitted their Travel and Business Expense (TBE) Report for \$2,630.21 with reimbursable expenses of \$466.82, which included additional expenses for personal vehicle mileage and tips.

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<sup>1</sup> 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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We noted that the traveler used their personal vehicle; however, no justification memo was submitted, as required by the Travel and Business Expense Policy (FIN 14).

Section 1.1.3 of FIN 14 states, *“LACMTA reserves the right to pay the lower of either mileage reimbursement or a common carrier such as Amtrak, Metrolink, or commercial airline. Travelers must submit a separate justification memo when requesting the use of their personal vehicle for non-local travel. The Travel Program Administrator will establish the amount of equivalent common carrier fare (air or rail) to be used as the limitation of reimbursable expenses, when an employee requests to use a personal vehicle for travel. The Travel Program Administrator will indicate limitations on the TA Form.”*

At the time of review, the traveler was no longer employed by Metro, so we asked the traveler’s former supervisor and the Travel Program Administrator (TPA) if the traveler received prior approval to use their personal vehicle for the event. The TPA responded *“No, employee was asked by travel office to submit request when the employee asked to be reimbursed at time of TBE submittal.”* The TPA further explained that the traveler planned to use Amtrak to travel to the event, but Amtrak direct service was not available at the time of travel and the Travel Office was aware of the service interruption.

It is important that the traveler and the Travel Program Administrator comply with the said provisions of the policy to show that Metro pays for the most reasonable form of transportation. In the most recently updated Metro Business Travel Guidelines (GEN 65), Section 2.0 also addresses the use of a personal vehicle and states, *“Travelers must justify that other forms of transportation are not available, and may not use a personal vehicle without preapproval from their manager.”*

Although the policy was not strictly followed due to the absence of a justification memo requesting the use of a personal vehicle with the Travel Request/Authorization (TA) Form, we acknowledge the unexpected changes in travel arrangements due to the interruption of Amtrak rail service. However, the TA was submitted on December 19, 2022, with estimated costs for both Amtrak rail fare and roundtrip mileage to the conference without a request to use a personal vehicle. A separate justification memo requesting an exception for the lodging expense was submitted the next day, December 20, 2022, but it did not request or mention the use of a personal vehicle.

We also noted that reimbursable expenses included both Per Diem amounts for meals and incidental expenses (M&IE) and additional expenses for tips, which violates FIN 14 policy.

Section 1.2.3.2 of FIN 14 states *“Per Diem amount listed in the IRS Publication includes meals and incidental expenses (M&IE); therefore, tips and gratuities during meals shall not be claimed separately on the TBE Report.”* The IRS Publication states, *“the term*



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*'incidental expenses' means fees and tips given to porters, baggage carriers, hotel staff, and staff on ships."*

We asked why tips were claimed for reimbursement in addition to the Per Diem allowance that includes incidental expenses and received a response from the TPA that, *"additional tip request was submitted in a justification memo and the exception was approved by the acting Chief of the department."*

It is important that the approving officials review the Travel and Business Expense (TBE) Report thoroughly and address any issues that may be found in the report.

### **Recommendation:**

#### Chief People Office

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

### **2. Mileage Claimed Twice and No Justification Memo when Claiming Full Per Diem**

The Senior Manager of Project Control, Vehicle Technology and ZEB Infrastructure traveled to attend the 2023 American Public Transportation Association (APTA) Mobility Conference in Minneapolis, MN from April 23 to 26, 2023. The traveler submitted his Travel and Business Expense (TBE) Report with reimbursable expenses of \$774.26, which included mileage claimed twice and unsupported travel expenses with no justification memo.

We noted that the Senior Manager used his personal vehicle for transportation to and from the airport on the travel days, April 22 and April 27, 2023; however, the TBE also erroneously includes mileage in Los Angeles claimed on a day the traveler was in Minneapolis, April 26, 2023, resulting in an overpayment of \$9.16.

We asked the traveler why duplicate mileage was claimed on April 26 and 27. He responded, *"It was an error when completing the form by copying some of the daily expenses."* The traveler acknowledged this error and reimbursed Metro on May 23, 2024 for this overpayment. It is important for Metro employees and approving officials to review the TBE Report and the supporting documents to ensure the accuracy of the expenses claimed by the travelers.

We also noted that the TBE report included the full Per Diem rate without a justification memo and EO approval when meals were included in the conference registration fees. Section 1.2.3.2 of FIN 14 states, *"If the traveler is claiming the full per diem rate on the TBE Report when meals*

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*were included in the conference registration fees, the traveler must prepare a justification memo and obtain Department Chief approval."*

We noted the claimed amounts for daily meal reimbursements were reduced by the dollar amount indicated for meals that were included in the conference registration fees for April 24 but not for April 25 or 26, and no justification memo was attached to the TBE. The traveler explained that he "did not eat the meals provided on April 25" and "Didn't eat the (April 26) breakfast, I wanted to ride on their electric buses and see charging infrastructure in action."

It is important that the traveler comply with policy FIN 14, which includes the requirement to submit a justification memo and obtain EO approval when not reducing Per Diem amounts for meals included in conference registration fees; the TA and TBE Reports are also required to be submitted with all supporting trip documentation including detailed travel justification memo.

### Recommendations:

#### Operations (Rail Vehicle Acquisition)

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
- Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

### 3. Late Submission of TBE Report

The Senior Manager/Project Manager of Rail Vehicle Acquisition traveled to a vendor's manufacturing facilities from February 14 to 25, 2023. The traveler submitted the Travel and Business Expense (TBE) Report with a reimbursable amount of \$2,271.69 on April 12, 2023, which was not within 30 days after returning from travel.

We noted that the TBE Report was approved by the Department Head and Chief on April 17, 2023, and by the Chief Executive Officer on April 19, 2023.

We asked the traveler why the TBE Report was not submitted within 30 days after returning from travel and the traveler explained, *"This is my fault as I put this aside and did not address it immediately as I should have."*

It is important that TBE reports are submitted in a timely manner for the expense to be recorded in the proper accounting period and for their department's budget balances to be updated. Moreover, submitting the expense report on time will avoid the probability of losing receipts or

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documents which may otherwise occur if there is a long gap between the travel date and submission date.

### Recommendation:

#### Operations (Rail Vehicle Acquisition)

- Require staff to submit TBE Reports in a timely manner.

### 4. No Justification Memo for Claiming Full Per Diem When Meals Were Included

The Executive Officer (EO) traveled to attend the 2023 Access D.C. event in Washington D.C. from March 27 to 30, 2023. The Officer submitted their Travel and Business Expense (TBE) Report with a total reimbursable amount of \$209.47, which included the full per diem rate when meals were included in the event registration fees without submitting a justification memo and obtaining Department Chief approval as required in Metro Policy FIN 14.

*Section 1.2.3.2 of FIN 14 states, "Meals included in conference registration fees occurring while on travel status will reduce the total daily meal reimbursement by the current dollar amount indicated for each meal when purchased separately under the receipt reimbursement method or by the current prorated amount for meals under the per diem method... If the traveler is claiming the full per diem rate on the TBE Report when meals were included in the conference registration fees, the traveler must prepare a justification memo and obtain Department Chief approval."*

We noted the claimed amounts for daily meal reimbursements were not reduced by the dollar amount indicated for meals that were included in the event registration fees for March 29 and 30, and no justification memo was attached to the TBE. The traveler explained that *"we did not attend the ACCESS DC scheduled breakfast or lunch" on March 29, and on March 30, "I moderated a panel in the morning and didn't eat breakfast. During lunch, I met with"* D.C. officials and representatives.

It is important that the traveler and the Travel Program Administrator comply with the said provisions of the policy, which includes the requirement to submit a justification memo when not reducing Per Diem amounts for meals included in event registration fees.

## Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2023 to June 30, 2023

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### Recommendations:

#### Office of the Chief of Staff

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs
- Require travelers to submit a justification memo when claiming the full Per Diem rate if meals are included in event registration fees

### 5. Ground Transportation Claimed Twice

The Deputy Executive Officer (DEO) of Communications traveled to attend the Access D.C. event in Washington, D.C. from March 27 to 30, 2023. The traveler submitted their Travel and Business Expense (TBE) Report for \$3,563.23 with reimbursable expenses of \$2,747.49, which included fare for ground transportation that was claimed twice.

We noted the traveler was reimbursed \$16.57 for an Uber ride on March 28, 2023; however, the total amount reimbursed also included an additional \$13.57 for the same Uber ride.

The traveler explained the error was the result of an oversight when compiling expense receipts that were received during the trip. The expense in question was for an Uber ride from 11:32 to 11:44 AM on March 28, 2023. An email from Uber Receipts was sent to the traveler at the completion of the ride with a detailed trip summary showing a total cost of \$13.57. Later that same day at 6:55 PM, a similar email was sent as notice that the payment was processed and included an updated trip receipt for the processed payment of \$16.57, which included a \$3.00 tip for the driver. The traveler explained that the oversight was due to receiving separate receipts at different times for different amounts, and noted they will check receipts more closely to avoid submitting more than one receipt for a reimbursable expense.

It is important that expenses incurred while on authorized travel are accurately reported and reconciled on the TBE Report in order for the total expense to be properly recorded and the reimbursable expense to be made correctly.

All TBE Reports should be reviewed thoroughly and checked for accuracy of amount and completeness of receipts to ensure total travel expenses due to the employee or to Metro are accurate.

## Statutorily Mandated Audit of Miscellaneous Expenses

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### Recommendations:

#### Office of the Chief of Staff (Government Relations)

- Review all TBE Reports thoroughly and verify that all charges are accurate and properly supported
- Consider instructing the employee to reimburse Metro for the overpayment of ground transportation expenses.

### OBSERVATION

**No adjustment on TA for meals included in conference registration fees.** We noted that Travel Request/Authorization (TA) forms did not note any meals that were included in conference registration fees as instructed on the TA form and required by FIN 14 and GEN 65.

*The Travel and Business Expense policy (GEN 65, and the former FIN 14) states, "Meals included in conference registration fees occurring while on travel status will reduce the total daily meal reimbursement by the current dollar amount indicated for each meal when purchased separately under the receipt reimbursement method or by the current prorated amount for meals under the per diem method." GEN 65 also includes a Travel Authorization Checklist with instructions, "Please check and attach the following required documentation, with the estimate of trip expenses." The required items include "Conference Schedule/Program/Agenda" with instructions to "Obtain from conference and/or provide a detailed business itinerary. Also required to determine the meal per diem allowance."*

We noted that sampled transactions included nine that involved travel to a conference with meals included in the registration fees; however, all nine TA forms failed to disclose the included meals and did not reduce the total estimated cost for meals on the approved TA form.

### 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 audit population.)

#### **a. Reviewed Quarter (FY23 Q4) versus Prior Quarter (FY23 Q3) Miscellaneous Expenses**

Miscellaneous expenses this quarter increased by \$691,859 or 29% as compared to the prior quarter. See Table 1. This overall increase was mainly due to the increase in Business Travel of \$673,411.

# Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2023 to June 30, 2023

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**Table 1: Reviewed Quarter versus Prior Quarter**

Account	Apr-Jun 2023	Jan-Mar 2023	Increase (Decrease)
Advertising	\$ 938,669	\$ 766,359	\$ 172,310
Business Meals	174,507	65,915	108,592
Business Travel	724,574	51,163	673,411
Corporate Membership	126,676	152,273	(25,597)
Professional Membership	25,343	18,381	6,962
Seminar and Conference Fee	181,484	124,062	57,422
Miscellaneous (50999) *	876,208	1,188,434	(312,226)
Others (Mileage and Parking, etc.)	39,555	28,570	10,985
<b>Total</b>	<b>\$ 3,087,016</b>	<b>\$ 2,395,157</b>	<b>\$ 691,859</b>
<b>Increase/(Decrease) from Prior Quarter</b>			<b>29%</b>

\*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)

## b. Reviewed Quarter (FY23 Q4) versus Same Quarter of Prior Year (FY22 Q4) Miscellaneous Expenses

Miscellaneous expenses for the current quarter posted a decrease of about \$1.07 million or 26% as compared to the same quarter of FY 22. This was mainly due to the decrease of almost \$2.1 million in advertising (Account #50918). See Table 2.

**Table 2: Reviewed Current Quarter versus Same Quarter of Prior Year**

Account	Apr-Jun 2023	Apr-Jun 2022	Increase (Decrease)
Advertising	\$ 938,669	\$ 3,014,383	\$ (2,075,714)
Business Meals	174,507	53,894	120,613
Business Travel	724,574	183,540	541,034
Corporate Membership	126,676	184,048	(57,372)
Professional Membership	25,343	14,673	10,670
Seminar and Conference Fee	181,484	133,625	47,859
Miscellaneous (50999) *	876,208	537,924	338,284
Others (Mileage & Parking, etc.)	39,555	32,307	7,248
<b>Total</b>	<b>\$ 3,087,016</b>	<b>\$ 4,154,394</b>	<b>\$ (1,067,378)</b>
<b>Increase/(Decrease) from Same Quarter of Prior Year</b>			<b>-26%</b>

## Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2023 to June 30, 2023

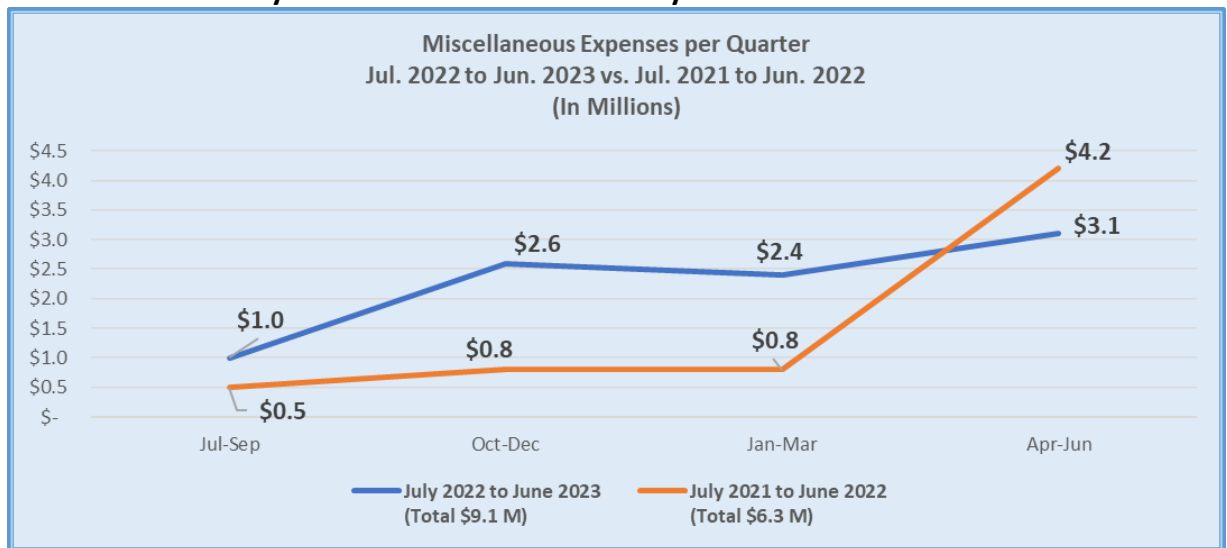
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### c. July 2022 to June 2023 versus July 2021 to June 2022

Miscellaneous expenses of \$9.1 million for the reviewed four quarters ending June 2023 posted an increase of \$2.8 million or 44% as compared with \$6.3 million in the prior four quarters ending June 2022. See Figure 1.

**Figure 1: Miscellaneous Expenses per Quarter  
July 2022 to June 2023 versus July 2021 to June 2022**



As shown below, miscellaneous expenses increased at the end of each fiscal year due to accruals made in June to record expenses budgeted in the respective years.

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

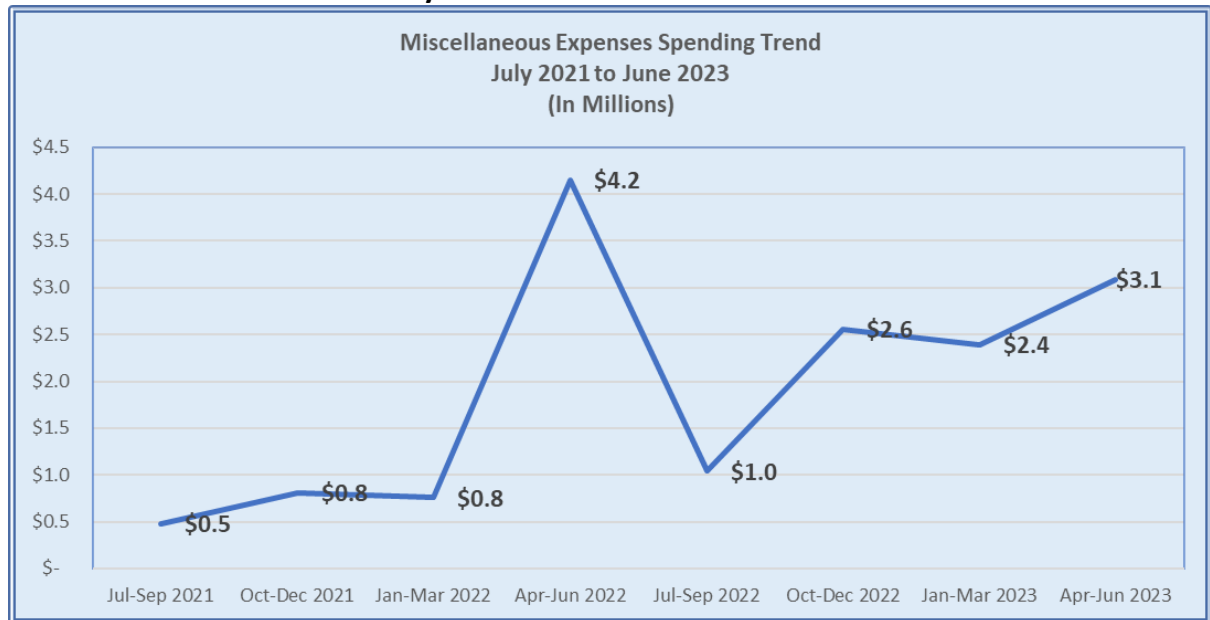
## Statutorily Mandated Audit of Miscellaneous Expenses

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**Figure 2: Miscellaneous Expenses Spending Trend  
July 2021 to June 2023**



## CONCLUSION

The miscellaneous expenses we reviewed for the quarter of April 1 to June 30, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of non-compliance with the Travel and Business Expense (FIN 14, now GEN 65) policy.

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

## RECOMMENDATIONS

We recommend the following:

### Chief People Office

1. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.



## **Statutorily Mandated Audit of Miscellaneous Expenses**

**April 1, 2023 to June 30, 2023**

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### **Operations (Rail Vehicle Acquisition)**

2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
3. Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.
4. Require staff to submit TBE Reports in a timely manner.

### **Office of the Chief of Staff**

5. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
6. Require travelers to submit a justification memo if claiming the full Per Diem rate when meals were included in event registration fees.
7. Review all TBE Reports thoroughly and verify that all charges are accurate and properly supported.
8. Consider instructing the employee to reimburse Metro for the overpayment of ground transportation expenses.

## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On May 31, 2024, we provided Metro Management our draft report. By June 17, 2024, we received Metro Management responses summarizing their corrective actions. See 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 April 1, 2023 to June 30, 2023

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 19,418	\$ 2,254
50903	Business Meals	174,507	41,637
50905	Corporate Membership	126,676	100,000
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	6,265	2,050
50912	Professional Membership	25,343	6,163
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	181,484	15,134
50917	Business Travel	724,574	64,413
50918	Advertising	938,669	661,573
50930	Employee Activities & Recreation	13,872	12,668
50999	Other Miscellaneous Expenses	<u>876,208</u>	<u>243,933</u>
<b>Total</b>		<b><u>\$3,087,016</u></b>	<b>&lt;b&gt; <u>\$1,149,825</u></b>

<a> No expenses incurred for this quarter.

<b>The Audit Population 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

Chief People Office



**Metro**

Interoffice Memo

Date	June 17, 2024		
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General		
From	Ilyssa DeCasperis Chief People Officer	Ilyssa DeCasperis	<small>Digitally signed by Ilyssa DeCasperis Date: 2024.06.17 15:25:25 -07'00'</small>
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2023 to June 30, 2023 (Report No. 24-AUD-05)		

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 response below to the recommendation pertaining to the Chief People Office.

**Recommendation**

- #1. Chief People Office: Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs. Additionally, we will remind business travelers and the Travel Program Administrator of requirements to comply with the said provisions of the policy to show that Metro pays for the most reasonable form of transportation.

**Response:** Staff concurs with the recommendation and will ensure that all approvers review the Travel and Business Expense Policy (FIN 14) and prepare TBE reports thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Completion Date: A reminder to all CPO staff to ensure that they are familiar with and understand the Travel and Business Expense Policy (FIN 14). This will be completed by FY25 Q1 (September 30th, 2024).

## Management Comments to Draft Report


**Metro**

### Operations (Rail Vehicle Acquisition)

## Interoffice Memo

Date	June 13, 2024		
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)		
From	Conan Cheung Chief Operations Officer	Conan Cheung	<small>Digitally signed by Conan Cheung DN: cn=Conan Cheung, email=conan.cheung@metro.net, o=Metro, ou=Operations, date=2024.06.13 15:02:48 -0700</small>
Subject	24-AUD-05 Management Response to Audit of Metro Misc. Expenses April 2023 – June 2023		

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from April 2023 – June 2023. Although OIG found that the sampled transactions generally complied with Metro policies, three issues were identified. Therefore, the actions below will be taken by Operations Rail Vehicle Acquisition to comply with the recommendations from the audit:

#### Operations (Rail Vehicle Acquisition)

##### Recommendation #2

Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Management Response: Agree; Business Travel Guidelines were sent via email informing approvers to thoroughly review the TBE Report to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Completion Date: Completed on March 13, 2024

##### Recommendation #3

Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

Management Response: Agree; Business Travel Guidelines were sent via email informing staff to submit a duly approved justification memo when meals are included in the event registration fees. Management also performed thorough audits of justification memos on an as-needed basis.

Completion Date: Completed on March 13, 2024

##### Recommendation #4

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## Management Comments to Draft Report

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Require staff to submit TBE Reports in a timely manner.

Management Response: Agree; A memo and Business Travel Guidelines were sent via email informing staff to submit TBE Reports in a timely manner. Management also performed thorough audits of TBE Reports on an as-needed basis.

Completion Date: Completed on March 13, 2024

CC: Conan Cheung  
Diane Corral-Lopez  
Chris Reyes  
Matt Dake  
Jesus Montes


Management Comments to Draft Report



**Metro**

Office of the Chief of Staff

Interoffice Memo

Date	June 12, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund  Chief of Staff
Subject	Metro Business Travel Guidelines

I have thoroughly reviewed the **Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2023, to June 30, 2023 (Report 24-AUD-05)** which was distributed on May 31, 2024. In response, please note the following:

For Item 4. “No Justification Memo for Claiming Full Per Diem When Meals Were Included”, the **department concurs** that approvers will review TBE reports thoroughly and will require travelers to submit a justification memo when claiming full Per Diem rate if meals are included in event registrations. Please see the attached memo reaffirming the policy for all staff in the Offices of the Chief of Staff and the Chief Executive Officer. The memo served to remind **them of the expectations and guidelines they must comply with when on business travel.**

The department recognizes that often Metro staff have competing priorities and demands on their time which may not allow them to attend all scheduled conference events/meals and therefore staff may need to purchase meals while traveling. This will be documented and included in all TBEs moving forward effective immediately.

For Item 5, “Ground Transportation Claimed Twice,” the department agrees that all TBE reports will be reviewed thoroughly, effective immediately. Further, the traveler has reimbursed the agency for the overpayment of ground transportation on June 7, 2024.

## Management Comments to Draft Report

**Metro**

## Interoffice Memo

<b>Date</b>	June 14, 2024
<b>To</b>	All staff within the Chief of Staff and Chief Executive Officer Cabinets
<b>From</b>	Nicole Englund <i>NE</i> Chief of Staff
<b>Subject</b>	Metro Business Travel Guidelines

This memo is to be circulated amongst all staff in the Chief of Staff cabinet – Chief of Staff and Board Relations, Homeless Outreach, Government Relations and OCRREI departments.

As a reminder, Travel Expense reimbursements should be detailed and accurate. When a conference schedule includes meals, travelers are not eligible for full per diem reimbursements.

Traveler should make efforts to attend scheduled meals when attending conferences. When submitting Travel Authorization requests, the estimates for meals should reflect any meals that are programmed to be provided as that is an expense incurred when registration fees are paid. When circumstances are such that an employee is unable to attend, a detailed justification memo explaining why a scheduled meal was consumed and why per diem needs to be adjusted. It is the traveler's responsibility to be detailed, accurate and timely in submitting expense reports. It is also the responsibility of approving officials to confirm the accuracy when signing off and submitting to the Travel Administrator/AP.

Attached, for review are included: GEN 65 effective August 2023 and the latest Travel Authorization checklist updated February 2024.



## Final Report Distribution

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### Board of Directors

Kathryn Barger  
Karen Bass  
James Butts  
Jacquelyn Dupont-Walker  
Fernando Dutra  
Janice Hahn  
Lindsey Horvath  
Paul Krekorian  
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Ara Najarian  
Gloria Roberts  
Tim Sandoval  
Hilda Solis  
Katy Yaroslavsky

### Metro

Chief Executive Officer  
Chief of Staff  
Inspector General  
Chief Financial Officer  
Chief Operations Officer  
Chief People Officer  
Deputy Chief Vendor/Contract Management Officer  
Deputy Chief Auditor

# **Audit of Miscellaneous Expenses April 1 to June 30, 2023**

OIG Report No. 24-AUD-05  
Karen Gorman, Inspector General

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July 18, 2024



# 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.

# Results of Audit

- Staff generally complied with Metro policies and procedures; but OIG found the following issues:
  - Missing Required Support Documentation (i.e. Justification Memo)
  - Mileage and Ground Transportation claimed twice
  - Late submission of Travel and Business Expense Report
  
- ❖ OIG provided **8** recommendations.