



Metro

*One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room*

Agenda - Final

Wednesday, September 20, 2023

11:00 AM

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Finance, Budget and Audit Committee

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Tim Sandoval, Vice Chair

James Butts

Jacquelyn Dupont-Walker

Lindsey Horvath

Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES
(ALSO APPLIES TO BOARD COMMITTEES)

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A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM - The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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323.466.3876

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TDD line (800) 252-9040

Board Clerk Email - boardclerk@metro.net

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Live public comment can be given by telephone or in-person.

The Committee Meeting begins at 11:00 AM Pacific Time on September 20, 2023; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

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Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 11:00 AM, hora del Pacifico, el 20 de Septiembre de 2023. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 888-251-2949 y ingrese el codigo
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Los comentarios del público se tomarn cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
Post Office Mail:
Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 7, 8 and 9.

Consent Calendar items are approved by one vote unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

7. **SUBJECT: GROUP INSURANCE PLANS** [2023-0504](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamster employees, and life insurance for all full-time Metro employees, for the one-year period beginning January 1, 2024.

Attachments: [Attachment A - Proposed Monthly Premium Rates](#)
[Attachment B - Proposed Monthly Employee Contributions](#)

8. **SUBJECT: LICENSE AGREEMENT WITH SOUTHERN CALIFORNIA EDISON FOR THE BLUE LINE STORAGE YARD LOCATED NEXT TO DIVISION 11 IN LONG BEACH** [2023-0426](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute a five (5)-year license agreement commencing November 1, 2023, with Southern California Edison, ("Licensor") for the 7.7 acre storage yard located next to Division 11 in Long Beach ("Edison Yard") at an annual rate of \$139,271.30 with escalations of five percent (5%) annually for a total license value of \$769,561.82 over the term.

Attachments: [Attachment A - Location Map](#)
[Attachment B - Storage Yard License Renewal Estimated Rent Costs](#)

9. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2022 TO SEPTEMBER 30, 2022** [2023-0503](#)

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.

Attachments: [Attachment A - Rpt on Audit of Misc Exp 7/01/22-09/30/22 \(24-AUD-01\)
Presentation](#)

NON-CONSENT

10. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2022 TO DECEMBER 31, 2022** [2023-0505](#)

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of October 1, 2022 to December 31, 2022.

Attachments: [Attachment A - Final Rpt Audit of Misc Exp 10/01/22-12/31/22 \(24-AUD-02\)
Presentation](#)

11. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2023 FOURTH QUARTER STATUS REPORT AND CUMULATIVE YEAR-END REPORT** [2023-0512](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2023 Fourth Quarter status report and cumulative FY 2023 year-end report.

Attachments: [Attachment A - FY23 Q4 Status Report & Cumulative YE Report
Presentation](#)

- SUBJECT: GENERAL PUBLIC COMMENT** [2023-0547](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S SUBJECT MATTER JURISDICTION

Adjournment

**Board Report**

File #: 2023-0504, **File Type:** Policy**Agenda Number:** 7.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 20, 2023****SUBJECT: GROUP INSURANCE PLANS****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long-term disability coverage for Teamster employees, and life insurance for all full-time Metro employees, for the one-year period beginning January 1, 2024.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 99% of the employees covered by the benefit plans are PTSC employees. Metro's health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees with a foundation to maintain or improve health. Los Angeles County Metropolitan Transportation Authority (LACMTA), including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost-effective for the company and our employees.

DISCUSSION

Employees who work 30 hours or more are eligible to enroll in a medical plan and other benefits. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted, and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in the flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis. New employees are provided an orientation session and assistance in enrolling in their selected plan(s).

The overall health and dental premium cost is a 4.7% increase for calendar year 2024. Factors contributing to increased premium cost include a higher number of claims, some of which are a result

of delayed care during the COVID pandemic. Specialty prescriptions drugs are also driving up the cost of healthcare with new high cost medications expected to hit the market in 2023. Unprecedented inflation, supply chain disruptions, and historic labor shortages are also providing an impact.

The recommended medical, dental, and vision premiums are shown in Attachment A. As previously established by the Chief Executive Officer, Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B. The life insurance and long-term disability plans are in a rate guarantee until January 1, 2026.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on the safety of our patrons or employees.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY24 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$70.3 million are within the adopted budget.

Costs are allocated and funded via Metro's Federally approved Indirect Cost Allocation Plan and do involve the use of operating eligible funds.

EQUITY PLATFORM

Currently, 96% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4% choosing to waive coverage by providing proof they are covered under another plan. References are provided in the Benefits Enrollment Guide for CoveredCA.com and Healthcare.gov, and staff provides additional guidance on an individual basis when needed.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." The responsible administration of Metro's Group Insurance Policies promotes efficient use of health resources and are cost effective for the company and our employees.

ALTERNATIVES CONSIDERED

The Board could decide to self-insure and self-administer health benefits. However, this is not recommended due to the resources required to establish the medical expertise and operational infrastructure required to review and process claims, as well as the liability that would be assumed.

NEXT STEPS

- Conduct annual open enrollment for Non-Contract and AFSCME employees during November 2023.
- Implement elections effective January 1, 2024.

ATTACHMENTS

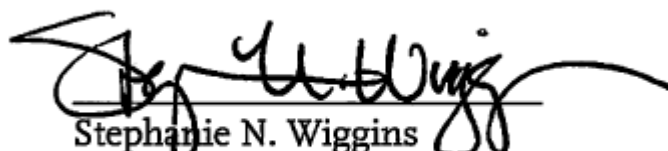
Attachment A - Proposed Monthly Premium Rates
Attachment B - Proposed Monthly Employee Contributions

Prepared by: Jan Olsen, Deputy Executive Officer, Pension & Benefits
213-922-7151

Cristian Leiva, Deputy Chief People Officer, Labor & Employee Services
213-922-3035

Reviewed by:

Nicole Englund, Chief of Staff
213-922-7950



Stephanie N. Wiggins
Chief Executive Officer

Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2023	CY 2024	%Change	Est # of Employees (1/1/24)
Blue Cross (PPO)	Single	\$1,403.82	\$1,384.59	-1.4%	226
	Couple	\$2,825.86	\$2,787.15	-1.4%	194
	Family	\$3,790.27	\$3,738.34	-1.4%	328
Blue Cross (HMO)	Single	\$899.90	\$1,052.79	16.9%	99
	Couple	\$1889.76	\$2,210.83	16.9%	85
	Family	\$2,699.45	\$3,158.08	16.9%	151
Kaiser (HMO)	Single	\$702.53	\$767.84	9.3%	545
	Couple	\$1,405.05	\$1,535.67	9.3%	311
	Family	\$1,988.15	\$2,172.97	9.3%	528
Delta Dental (PPO)	Single	\$65.46	\$65.46	0.0%	637
	Couple	\$113.76	\$113.76	0.0%	641
	Family	\$170.94	\$170.94	0.0%	843
DeltaCare (DHMO)	Single	\$20.21	\$20.21	0.0%	81
	Couple	\$36.71	\$36.71	0.0%	42
	Family	\$54.32	\$54.32	0.0%	79
Dental Health Services (DHMO)	Single	\$17.95	\$19.56	9.0%	56
	Couple	\$34.80	\$37.93	9.0%	35
	Family	\$52.46	\$57.18	9.0%	99
Vision Service Plan	Single	\$11.25	\$11.25	0.0%	426
	Couple	\$16.27	\$16.27	0.0%	440
	Family	\$29.15	\$29.15	0.0%	643
Voluntary Waiver of Coverage:*					
	Medical	\$277.00			94
	Dental	\$40.00			87

* Waiver of Medical coverage requires proof of alternative coverage.

Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/24	Change
Blue Cross (PPO)	Single	\$140.00	\$138.00	-\$2.00
	Couple	\$283.00	\$279.00	-\$4.00
	Family	\$379.00	\$374.00	-\$5.00
Blue Cross (HMO)	Single	\$90.00	\$105.00	\$15.00
	Couple	\$189.00	\$221.00	\$32.00
	Family	\$270.00	\$316.00	\$46.00
Kaiser (HMO)	Single	\$70.00	\$77.00	\$7.00
	Couple	\$141.00	\$154.00	\$13.00
	Family	\$199.00	\$217.00	\$18.00
Delta Dental (PPO)	Single	\$7.00	\$7.00	\$0.00
	Couple	\$11.00	\$11.00	\$0.00
	Family	\$17.00	\$17.00	\$0.00
DeltaCare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$4.00	\$4.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$4.00	\$1.00
	Family	\$5.00	\$6.00	\$1.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$2.00	\$2.00	\$0.00
	Family	\$3.00	\$3.00	\$0.00

Non-Contract and AFSCME Employees contribute 10% (rounded to whole dollar) towards their individually selected plan's medical and dental premiums

**Board Report**

File #: 2023-0426, **File Type:** Agreement**Agenda Number:** 8.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 20, 2023****SUBJECT: LICENSE AGREEMENT WITH SOUTHERN CALIFORNIA EDISON FOR THE BLUE
LINE STORAGE YARD LOCATED NEXT TO DIVISION 11 IN LONG BEACH****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute a five (5)-year license agreement commencing November 1, 2023, with Southern California Edison, (“Licensor”) for the 7.7 acre storage yard located next to Division 11 in Long Beach (“Edison Yard”) at an annual rate of \$139,271.30 with escalations of five percent (5%) annually for a total license value of \$769,561.82 over the term.

ISSUE

Metro Operations, Rail Fleet Services, and Wayside Systems, have a license to occupy a Southern California Edison (“SCE”) property (“Edison Yard”) located next to Division 11. The existing license agreement is for a five-year duration. The Board approved the current license on January 24, 2019 which was retroactive to November 1, 2018. The current five-year license will expire on October 31, 2023. Metro Operations has a continued need for the Edison Yard for ongoing Blue Line and other Rail Fleet Services and Wayside Systems needs. Approving this license (“License”) will secure the Edison Yard for an additional five-year term from November 1, 2023 through October 31, 2028. Southern California Edison will only issue licenses for five-year periods as the land also contains their transmission towers which prohibit them from surrendering ownership. The License requires Board approval as the total license expense exceeds the CEO delegated authority to enter contracts with a cost not to exceed \$500,000.

BACKGROUND

The current five-year license term commenced on November 1, 2018, and will expire on October 31, 2023, for a total amount of \$625,672.78. Prior to the current license, Metro maintained storage at this location dating back to the 1990s, so Real Estate finds little agency exposure in continuing the License with the Licensor through consecutive five-year agreements. The Edison Yard is the only location Metro has to store large rail track and contractual spare material (e.g. 40’ rail sticks, ties, etc.). There is material stored at the Edison Yard that supports every Metro Rail Line.

DISCUSSION

Findings

The current rental rate for the Edison Yard is a fair estimation of market value. No alternate location has been found that can offer a similar affordability, proximity to Division 11, and is large enough to store the materials Metro has there. The Edison Yard provides the best fit for Rail Fleet Services and Wayside Systems needs.

Considerations

Because of the continued need for storage at the Edison Yard, the larger risk is to operational efficacy if the Board chooses not to renew the License with Edison. In the unlikely event that Metro determines the space is no longer needed, Metro can choose to exercise its right to terminate the License at any time with 30 days' notice, mitigating any long-term financial obligations of the License.

DETERMINATION OF SAFETY IMPACT

The proposed License will complement Metro's commitment to a safe, clean, on-time, and reliable transportation system by safely securing Metro rail replacement parts.

FINANCIAL IMPACT

The rental rate for the License renewal will increase from \$132,639.33 per year to \$139,271.30. The annual rent of \$139,271.30 commencing November 1, 2023, will cost \$769,561.82 over the five-year term including annual fixed increases of five percent (5%).

Metro Real Estate staff has determined that the rental rate and increases are in line with the fair market for land in the Edison Yard area.

Impact to Budget

Funding for the payment of rent for the Edison Yard will be budgeted and paid from Cost Center 0651, project number 300022 for fiscal year 2024. The funding for the proposed License will come from Federal, State, and Local sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The Edison Yard is critical to keeping the Metro rail system safely maintained and serving Equity Focus Communities. The Edison Yard is in the middle of an industrial area and is closest to Virginia Country Club's surrounding communities. Because it is a storage yard, any activity generating noise will be infrequent and minimal.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Strategic Plan Goal 5: Provide responsive, accountable, and trustworthy government by securing Metro Rail investments and supporting Vision 2028.

ALTERNATIVES CONSIDERED

The alternative is to not approve the license agreement. This alternative is not recommended because the Edison Yard is critical to Rail Fleet Services operations in keeping the rail system safely maintained.

NEXT STEPS

Execute the License with Southern California Edison subject to County Counsel approval as to form.

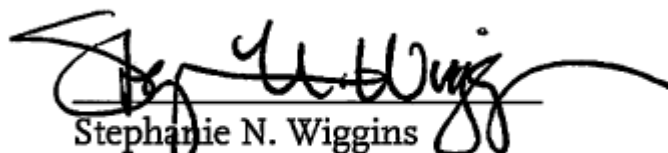
ATTACHMENTS

Attachment A - Location Map

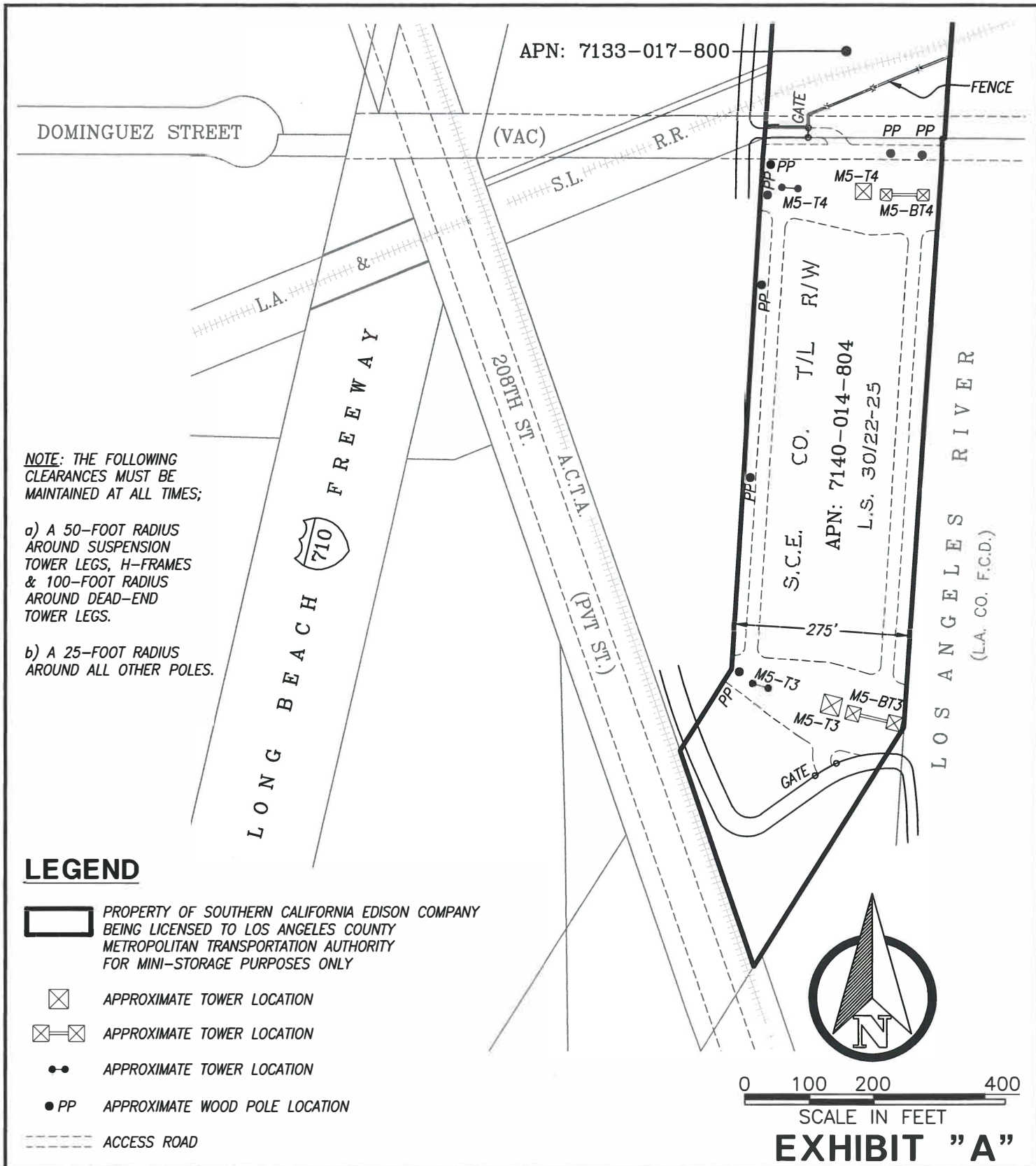
Attachment B - Blue Line Storage Yard License Renewal Estimated Rental Costs

Prepared by: John Beck, Manager, Countywide Planning & Development, (213) 922-4435
Craig Justesen, Interim Executive Officer, Countywide Planning & Development, (213) 928-7051
Holly Rockwell, SEO - Real Estate, Transit Oriented Communities and Transportation Demand Management, (213) 922-5585
Ray Sosa, Deputy Chief Planning Officer, (213) 547-4274

Reviewed by: Conan Cheung, Chief Operations Officer, (213) 418-3034
James de la Loza, Chief Planning Officer, (213) 922-2920



Stephanie N. Wiggins
Chief Executive Officer



FACILITY NAME: HINSON - LIGHTHIPE 220KV T/L R/W		LICENSED AREA (GROSS)	SQ.FT.: 336,151	AC.: 7.72
LICENSEE: LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY		CONTRACT NO.: 9.2912	ACCOUNT NO.: L1631	
CITY: LONG BEACH	COUNTY: LOS ANGELES	STATE: CA	T.G.: 765/C5	M.S.: 047-086
APN.(S): 7140-014-804, 7133-017-800		SCE DOCUMENT NO.: 43316/011, 43312/001		
SCE SANDERS MAP: 533911	SCE FIM: 37-73B, 38-73D	REF: 2014NOT202715217_9.2912.DWG		
R.P. LAND AGENT: Y. HA	LANDBASE MAPPING: S. XA	CHECKED BY: N. MICHEL		
ORDER NO.: 801167420	NOT. NO.: 202715217	DATE: 12/05/2017	FILE NAME: 9.2912.DWG	





**BLUE LINE STORAGE YARD
NEXT TO DIVISION 11 IN LONG BEACH
License Renewal - Estimated Rental
Costs AL000017**

Premises: 8 Acres

Rent:

<u>Period</u>	<u>Annual Rent</u>
11/1/23 to 10/31/24	\$ 139,271.30
11/1/24 to 10/31/25	\$ 146,234.86
11/1/25 to 10/31/26	\$ 153,546.60
11/1/26 to 10/31/27	\$ 161,223.93
11/1/27 to 10/31/28	\$ 169,285.13
Total Rent	<u><u>\$ 769,561.82</u></u>



Board Report

File #: 2023-0503, **File Type:** Informational Report

Agenda Number: 9.

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**

Office of the Inspector General
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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.

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

Office of the Inspector General

Report No. 24-AUD-01

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
July 1, 2022 to September 30, 2022**

Office of the Inspector General

Report No. 24-AUD-01

**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

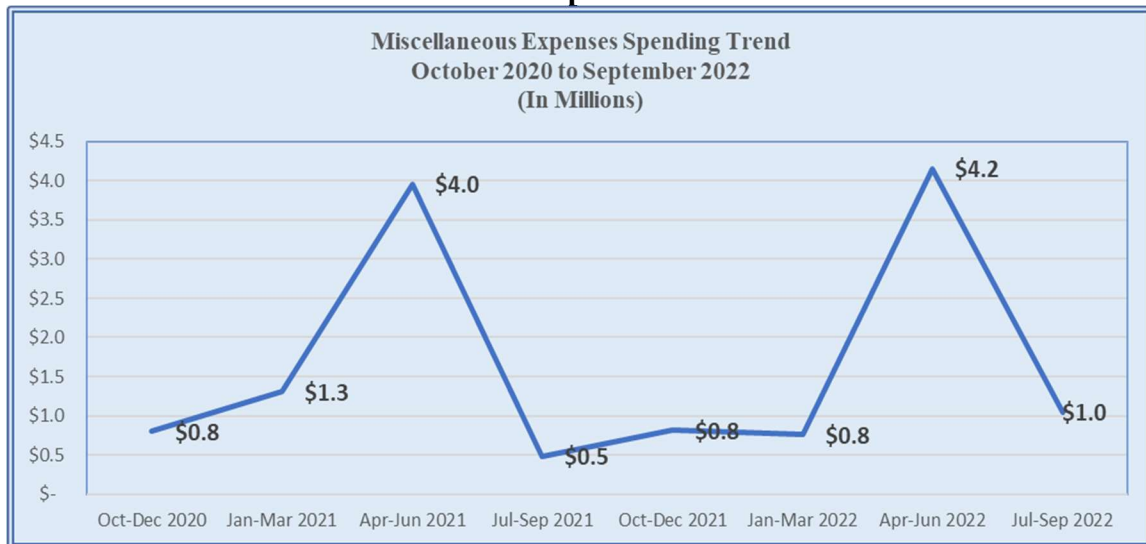
Report No. 24-AUD-01

**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

Office of the Inspector General

Report No. 24-AUD-01

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

July 1, 2022 to September 30, 2022

Office of the Inspector General

Report No. 24-AUD-01

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

Page | 1

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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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.





Board Report

File #: 2023-0505, **File Type:** Informational Report

Agenda Number: 10.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 20, 2023

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2022 TO DECEMBER 31, 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 October 1, 2022 to December 31, 2022.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2022 to December 31, 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 October 1, 2022 to December 31, 2022. For this period, miscellaneous expenses totaled \$2,560,136 with 821

transactions. We selected 53 expense transactions totaling \$820,355 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the quarter of October 1 to December 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found most of the issues found during the audit were related to international travels of the employees. Among others, we found insufficient documentation and incorrect calculation of travel expenses, and more importantly, more costly lodging due to booking by travelers close to the scheduled event date and outside the Metro travel system. We believe if management plans ahead of time, especially for international trips, it will result in lower travel expenses and more efficient use of taxpayers' money.

We also found non-compliance with the Purchase Card policy where the P-Cardholder failed to secure receipts from the vendor.

The staff explained that their non-compliance was due to oversight, human error, and non-familiarity with the policy.

We were informed Metro's Travel and Business Expense policy is being updated and is being reviewed by the Chief Executive Officer.

- Fin 14 - Non-Travel Business Expenses (FIN 14) - Maintained by Finance
- Gen 65 - Metro Business Travel Guidelines - Maintained by Human Capital and Development - Travel Department

The Executive Officer, Administration of Workforce Services also informed us that they are in the process of upgrading the Travel System which they believe will address some of the issues identified in this audit. However, since the transactions we audited occurred before the new policies are in place or effective, we made the recommendations to address the above issues based on the policies effective for the period we reviewed.

RECOMMENDATIONS

We recommend the following:

Operations (Rail Vehicle Acquisition)

1. Instruct staff to submit complete documents to support all charges reported on the Travel and Business Expense (TBE) Report.
2. Require staff to submit a duly approved justification memo when lodging exceeds the allowable rate.
3. Require staff to submit TBE Reports in a timely manner.

-
4. The traveling employee and the Travel Program Administrator should thoroughly review the TBE Report to ensure accuracy of all expenses incurred during their travel.

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

5. Management should plan and obtain approval for international travels more than 30 days in advance, to avoid costly travel expenses whenever possible.
6. Traveling employees should make travel arrangements for international trips more than 30 days in advance to secure the most reasonable rates whenever possible.

Community Relations

7. Require the traveling employees to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This requirement should be documented in the Department's internal files to ensure employees' familiarity and compliance with the policy.
8. Instruct employees to take the travel system training conducted by the Travel Program Administrator or a refresher course if they have not done so for several years.

Human Capital & Development (Workforce Services)

9. Review thoroughly the TBE Report for completeness of supporting documentation including the required justification memo.
10. Closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy.
11. Review thoroughly the TBE Report to ensure accuracy of all expenses incurred during the employee's travel.
12. Update FIN 14 to require staff to submit the justification memo for excess lodging prior to travel - both domestic and international.
13. Update FIN 14 to clearly set the policy for international trips including the policy on allowing a rest day for the traveling employees.
14. Update FIN 14 to specify the reasonableness of the tips allowed for reimbursement and/or specify a maximum tip/gratuuity amount that Metro will reimburse travelers for transportation cost.
15. Review the TBE Report to ensure that employees submit all valid reimbursable expenses that they incurred or are allowed.
16. Update FIN 14 to include a provision on extraordinary circumstances that would allow travelers to book accommodation outside of the travel system. Require a justification memo approved by the Executive Officer and Travel Program Administrator prior to travel if there are exceptions.
17. Consider updating the Travel Request and Authorization form to include a statement similar to the Travel and Business Expense form informing the traveler to read and understand Metro's Travel and Business Expense Policy FIN 14.

Information Technology Services

18. The P-Cardholder should secure receipts for all P-Card purchases regardless of the means of ordering goods.
19. The Approving Official and the Business Unit Coordinator should review completeness of documentation for all P-Card purchases.

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 October 1, 2022 to December 31, 2022 (Report No. 24-AUD-02)

Prepared by: Asuncion Dimaculangan, Senior Auditor, (213) 244-7311
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

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

**Statutorily Mandated Audit of
Miscellaneous Expenses
October 1, 2022 to December 31, 2022**

Report No. 24-AUD-02

August 25, 2023



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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
October 1, 2022 to December 31, 2022 (Report No. 24-AUD-02)

**George
Maycott**

Digitally signed by: George Maycott
DN: CN = George Maycott email =
maycottg@metro.net C = US O = Metro-
OIG
Date: 2023.08.25 14:51:22 -08'00'

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2022 to December 31, 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 seven of the sampled expenses reviewed:

- Non-compliance with Travel and Business Expense (FIN 14) policy on international travels
- Incorrect reporting of travel expense
- Costly lodging for international travels due to booking close to the event date
- Lodging in excess of allowable rate for international trips approved after travel
- No clear policy on “rest day” for international travels
- Accommodation booked by travelers outside of Metro’s travel system
- No clear policy on tips
- Non-familiarity of traveler with FIN 14 policy
- Incomplete documentation for P-Card purchases

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

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2022 to December 31, 2022

Office of the Inspector General

Report No. 24-AUD-02

- 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;
- Interviewed Metro personnel including staff in Accounting, Communications, 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 October 1, 2022 to December 31, 2022. For this period, miscellaneous expenses totaled \$2,560,136¹ with 821 transactions. We selected 53 expense transactions totaling \$820,355 for detail testing. Thirty-one (31) of the expense transactions were randomly selected, eleven (11) were selected due to their large dollar amounts, and eleven (11) were selected to add more samples for travels and to sample other accounts. See Attachment A for details.

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

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 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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1. Non-Compliance with Travel and Business Expense (FIN 14) Policy on International Travels

We examined the Travel and Business Expense (TBE) Reports for international travel which were submitted from October 1 to December 31, 2022. Below is the summary of expenses for these international trips:

Position	Department	Traveled to	Conference / Event		Total Expenses	Reimbursable to Employee
			Date	Conference/Event		
Director, Rail Fleet Services	Blue Line Fleet Services	Berlin, Germany	9/20 to 9/23/2022	InnoTrans 2022	\$ 4,435.77	\$ 3,030.80
DEO, Project Management	Rail Vehicle Acquisition	Berlin, Germany	9/20 to 9/23/2022	InnoTrans 2022	4,506.02	3,437.67
Chief Operations Officer	Operations	Berlin, Germany	9/20 to 9/23/2022	InnoTrans 2022	4,788.57	3,123.00
DEO, Project Management	Rail Vehicle Acquisition	Belgium & France	9/26 to 9/30/2022	P2550 Midlife Production Based Design Review	4,444.92	2,298.44
Sr. Manager, Project Control	Rail Vehicle Acquisition	Belgium & France	9/26 to 9/30/2022	P2550 Midlife Production Based Design Review	3,393.80	1,862.21
					\$ 21,569.08	\$ 13,752.12

The audit found the following instances that employees were not in compliance with Travel and Business Expense (FIN 14) policy:

a. Incomplete Documentation

The Deputy Executive Officer of Rail Vehicle Acquisition traveled to Belgium and France from 9/24 to 10/01/2022 to attend the P2550 Midlife Production Based Design Review (PBDR) meetings for the Communications and the Auxiliary Power systems. The Travel and Business Expense (TBE) Report showed total travel expenses of \$4,444.92 with a reimbursable amount of \$2,298.44 to the employee.

We noted that there was a missing receipt for \$68.27 which appeared to be a baggage fee. The employee provided her credit card statement showing the said amount; however, no actual receipt was attached to the report. Upon OIG inquiry and post international travel, the employee provided a justification memo certifying the lost receipt which was approved by her supervisor on July 27, 2023.

Also, the total amount reimbursed to the employee included ground transportation of \$563.73; however, we did not find the credit card statement showing charges for train tickets in Bruges and Brussels (Belgium) and Paris and Tours (France) for a total amount of \$337. The statement will serve as a proof that she paid for the train tickets. Upon OIG inquiry and post international travel the employee provided a justification memo approved by Metro management stating, *“During the time of submitting my expense reimbursement, I forgot to provide my Bank*

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Statement as proof of purchase. In June of this year, this card was compromised, and a new card was issued. I'm unable to retrieve my old bank statements from last year."

The Travel and Business Expense (FIN 14) policy requires that *"all receipts for foreign travel expenses must be submitted for reimbursement."*

Recommendations:

Operations (Rail Vehicle Acquisition)

- Instruct staff to submit complete documents to support all charges reported on the Travel and Business Expense Report.

Human Capital & Development (Workforce Services)

- Review thoroughly the Travel and Business Expense Report to ensure completeness of the supporting documentation.

b. No Justification Memo for Lodging in Excess of Allowable Rate

The DEO mentioned above in #1a and the Senior Manager of Rail Vehicle Acquisition who attended the PBDR meetings in Belgium and France submitted their TBE Reports which included an invoice from the hotel in Belgium from 9/25/2022 to 9/28/2022 for 496 euros or \$482.16 – an average of almost \$161 per night. This exceeded the allowable lodging rate of \$115 per night.

No justification memo was provided, as required by FIN 14 policy. Section 1.2.4 of FIN 14 requires traveler to *"attach all original receipts for expenses for which receipts are customarily, regularly and reasonably obtained – such as hotel bills, meal receipts [if applicable], registration receipts, parking, taxis, vehicle rental receipts along with justifications and explanatory notes as needed, such as vehicle license numbers, addresses, times of day, contacts, purpose of visits, etc. to complete the TBE Report."*

The DEO explained, *"We were not aware of the need. The entire project team traveling to this meeting stayed at the same hotel to save on cost for transportation. We believe it outweighed the additional cost on the hotel."*

Recommendations:

Operations (Rail Vehicle Acquisition)

- Require staff to submit a duly approved justification memo when lodging exceeds the allowable rate.

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Human Capital & Development (Workforce Services)

- Review thoroughly the TBE Report for completeness of supporting documentation including the required justification memo.

c. Late Submission of Travel and Business Expense Report

The Sr. Manager mentioned above in 1 (b) traveled to France and Belgium from 9/24/2022 to 10/01/2022. They submitted a Travel and Business Expense report with a total expense of \$3,393.80 and reimbursable amount of \$1,862.21 on 11/09/2022 – which was eight days late. It was approved by the Department Head and Chief on 11/15/2022 and 11/16/2022, respectively, and by the Chief Executive Officer on 11/17/2022.

Section 1.2.1 of 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.*”

The employee explained, “*There was an initial delay due to the system not allowing the expense report to be filed. There was then some confusion between myself and our admin when we were putting this expense report together because it was a complicated itinerary and tracking the exchange rates was difficult. We went through several revisions of the expense report correcting several issues, which resulted in a late submittal.*”

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

Recommendations:

Operations (Rail Vehicle Acquisition)

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

Human Capital & Development (Workforce Services)

- Closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy.

2. Incorrect Reporting of Travel Expense

- a. The TBE Reports of employees mentioned above in # 1 and # 2 showed lodging of \$467.91 from 9/25 to 9/28 in Bruges, Belgium. However, based on the invoice from the hotel, this

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amount was in euros before Value-Added Tax (VAT). The correct amount of lodging was 496 euros (with VAT) or \$482.16 using the exchange rate on 9/28/2022.

- b. The DEO indicated on the TBE Report that Metro prepaid \$2,146.48 for airfare and hotel accommodation in Bruges, Belgium. However, the total of these two items was \$2,120.73 (airfare of \$1,652.82 and reported lodging of \$467.91).
The correct amount of Metro prepayment was \$2,134.98 (airfare of \$1,652.82 and \$482.16 lodging per item 2 (a) above. This mathematical error resulted to an underpayment of \$11.50 to the employee.

TBE Reports should be reviewed for accuracy by both the traveler and the Travel Program Administrator. Section 1.2.1 of FIN 14 states, *“The Travel Program Administrator will verify completeness of documentation and accuracy of calculation, and then forward the TBE Report to Accounting for processing.”*

Recommendation:

Operations (Rail Vehicle Acquisition) and Human Capital & Development (Workforce Services)

- The traveling employee and the Travel Program Administrator should thoroughly review the TBE Report to ensure accuracy of all expenses incurred during their travel.

3. Costly Lodging for International Travels Due to Booking Close to the Event Date

Section 1.2.3.2 of FIN 14 states, *“Hotel lodging and meals will be reimbursed based on the maximums published by the U.S. Department of State Standardized Regulations “Maximum Travel Per Diem Allowances for Foreign Areas.”*

The following employees traveled to Berlin, Germany to attend the InnoTrans 2022 Conference from 9/20/2022 to 9/23/2022. The cost of lodging for the three attendees exceeded the allowable rate, as shown below:

Position	Department	Lodging Period	Number of Nights	Total Lodging	Average Rate per Night	Allowable Rate per Night	Excess Over Allowable Rate per Night
Director, Rail Fleet Services	Blue Line Fleet Services	9/19 - 9/23/2022	4	\$ 2,361	\$ 590	\$ 203	\$ 387
DEO, Project Management	Rail Vehicle Acquisition	9/18 - 9/24/2022	6	\$ 2,618	\$ 436	\$ 203	\$ 233
Chief Operations Officer	Operations	9/19 - 9/24/2022	5	\$ 2,222	\$ 444	\$ 203	\$ 241

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We noted that the flight and hotel for the above employees were all booked the last week of August 2022 which was close to the date of the event and less than 30 days before their actual departure date.

Section 1.1.7 of FIN 14 states, “*Travelers should make arrangement with the Travel Program Administrator as far in advance as possible, preferably at least 30 days in advance, to take advantage of lowest possible airfares.*” This also applies to accommodation, especially for international travels.

We received the following explanations from the travelers for booking close to the event:

- The Director explained that he was not notified until August 10, 2022 that he was selected to attend the InnoTrans conference. He added that he immediately started the process on 8/11/2022 but there were delays in the process for booking the hotel and flight.
- We noted that the Interoffice memo from the employee’s Supervisor seeking approval for her attendance at the conference was dated 8/19/2022, barely a month before the event.
- The Chief Operations Officer explained, “*I was not originally planning to attend InnoTrans. However, given the untimely termination of the [xxx] contract..., I decided to attend InnoTrans to give me a one stop shop opportunity to talk to multiple heavy rail car builders about our upcoming [xxx] refurbishment contract and new [xxx] heavy rail procurement...*” He added that “*given the difficulties of CRRC executives to travel to US and US to travel to China for face to face discussions on [xxx], I was able to meet with them on neutral ground at InnoTrans.*”

Similar to lodging, the cost of airfare might have been lower if booked much earlier.

InnoTrans conference is held bi-annually, and based on the information we gathered, Metro regularly sends employees to this event. Planning early for international travel would afford Metro lower air fares and accommodations for the participating employees.

Based on InnoTrans website, the September 2024 conference dates have already been posted. If Metro chooses to send staff again in 2024, Travel Authorization Forms should be submitted and travel arrangements made as early as possible to obtain favorable and reasonable travel rates.

Recommendations:

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

- Management should plan and obtain approval for international travels more than 30 days in advance, to avoid costly travel expenses.
- Traveling employees should make travel arrangements for international trips with the Travel Program Administrator more than 30 days in advance to secure the most reasonable rate.

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4. Lodging in Excess of Allowable Rate for International Trips Approved After Travel

The employees mentioned above in #3 provided a justification memo for the excess lodging stating that at the time of the conference, the hotel rates in Berlin, Germany were costly. We noted, however, that the justification memos were all dated and approved by their Supervisors in October and November 2022 – after the travel date.

While FIN 14 was not specific as to the date that the justification memo should be approved and submitted, the justification memo should be approved prior to travel so management will know the actual cost of accommodation that will be charged to their department's budget. For this TBE report including international travel, lodging was more than double the allowable rate, almost 300% higher than the amount indicated and approved in the Travel Authorization Form.

Recommendation:

Human Capital & Development (Workforce Services)

- Update FIN 14 to require staff to submit the justification memo for excess lodging prior to travel – both domestic and international.

5. No Clear Policy on “Rest Day” for International Travels

The DEO mentioned in #3 flew out of Los Angeles on 9/17/2022 (Saturday) – two days before the conference - and arrived in Berlin, Germany in the afternoon of 9/18/2022 (Sunday). The TBE Report showed a “rest day” on 9/19/2022 (Monday). Metro reimbursed the traveler meals and lodging for that extra day on 9/19/2022.

The employee explained that the time difference between Los Angeles and Berlin, Germany is more than 9 hours and traveling time is more than 15 hours

On the other hand, the Chief Operations Officer who also attended the same conference had an overnight stay in Istanbul, Turkey before proceeding to Berlin, Germany, but paid hotel expenses for that night. The third attendee, the Director of Fleet Services, left LA on 9/18/2022 and did not have a rest day.

The DEO's TBE Report and request for reimbursement were approved. However, it will be noted that there was inconsistency in reporting travel expenses as the other two attendees mentioned above did not request nor receive the same rest day benefit.

Currently, Metro's FIN 14 policy does not address the “rest day” in international travels. The policy should be reviewed for adding clear instructions for the instances if and when a rest day is allowed for international trips.

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Recommendation:

Human Capital & Development (Workforce Services)

- Update FIN 14 to clearly set the policy for international trips including the policy on allowing or disallowing rest day for the traveling employees which is warranted.

6. Accommodation Booked by Travelers Outside of Metro's Travel System

Section 1.1.12 of FIN 14 states, "*Business travel is booked based on the most economical means to carry out company business. The Travel Program administrator will obtain travel arrangements that are, to the greatest extent possible, in the best interest of both the traveler and LACMTA.*" Section 1.1.6 also states, "*The Travel Program Administrator will finalize travel arrangements.*"

In our audit for this period, we found five examples of international travel where the travelers booked their hotels on their own, and did not book them through Metro's travel system.

The attendee of InnoTrans 2022 in Berlin, Germany stated, "*Adequate and convenient hotels were quickly booked up as we were closer to the trade show. This was a bit last minute so many hotel rooms reserved for the trade show were not available and the prices were quickly escalating. There were very few convenient and adequate rooms on Concur so I was given the approval by the Travel Department to book outside of Concur.*"

For the travel in Belgium and France mentioned in # 1, the employee booked three out of four accommodations; only one hotel was booked through the Travel Department.

Metro's travel system should be used in booking both flight and lodging accommodations to ensure travel arrangements are made for the benefit of both Metro and the employee. This can only occur if the TBE reports are provided to the Travel Department in sufficient time.

FIN 14 should be updated to clearly address when travelers may make travel arrangements for international travel without using Metro's travel system.

Recommendation:

Human Capital & Development (Workforce Services)

- Update FIN 14 to include a provision for extraordinary circumstances that would allow travelers to book accommodation outside of the travel system. Require a justification memo approved by the Executive Officer and Travel Program Administrator prior to travel if there are exceptions.

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7. No Clear Policy on Tips

The Manager of Community Relations attended the annual RailVolution Conference in Miami, Florida from October 30 to November 2, 2022. The total expenses reported on the TBE Report amounted to \$1,655.26, which included \$71 for ground transportation for three days. We noted that tips for Lyft rides were 31% to 37% of the total fare.

Date	Fare	Tip	Donation	Total	% of Tip
11/1/2022	\$ 10.69	\$ 5.00	\$ 0.31	\$ 16.00	31%
11/2/2022	8.73	5.00	0.27	14.00	36%
11/2/2022	8.85	5.00	0.15	14.00	36%
11/3/2022	16.66	10.00	0.34	27.00	37%
Total	\$ 44.93	\$ 25.00	\$ 1.07	\$ 71.00	35%

Section 1.2.3.3 of FIN 14 states, “*Reasonable fees/tips are reimbursable.*” However, the policy does not specify how to determine the reasonableness of the amount.

The employee stated, “*For the trips on 11/1 and 11/2, I selected from the options presented on the app and felt that they were reasonable tips for the high traffic areas (downtown Miami) that were traversed.*” He added that “*For 11/3, I considered this a reasonable tip, as this was an early morning trip (before 6AM) and included handling my luggage.*”

In our prior audit of miscellaneous expenses for the period of July 1 to September 30, 2022, it was also noted that a traveler gave a gratuity of \$5 for a \$6.66 fare (a 75% tip).

The total cost of tip expenses involved appear to be trivial (\$5 and \$10), but it is important for the travel policy to be clear and specific to ensure employee compliance. We note that reasonableness is a relative term since people can have different interpretation of what constitutes a reasonable amount.

Recommendation:

Human Capital & Development (Workforce Services)

- Update FIN 14 to specify the reasonableness of the tips allowed for reimbursement and /or specify a maximum tip/gratuity amount that Metro will reimburse travelers for transportation cost.

8. Non-Familiarity of Traveler with FIN 14 Policy

According to Section 1.2.3.2 of FIN 14, a single method of reimbursement must be used for the duration of a trip: Actual Expense (receipts required) or Per Diem method (receipts not

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needed). The policy also states, “*The per diem for the first and last days of domestic travel is 75% of the per diem or actual travel costs not to exceed 100% of the per diem with receipts if the first and/or last days of travel include breakfast, lunch, and dinner.*”

We noted that the employee mentioned above in # 6 claimed meal reimbursement for only two days - on 10/30/2022 (\$17.33) and 11/01/2022 (\$28.48) based on actual expense. His travel dates were from 10/29/2022 to 11/03/2022.

The employee stated that he only claimed meal reimbursement for those days that he had receipts. He also stated that he did not use the per diem method because he was not aware that this could be claimed without receipts.

The employee also neglected to claim meal reimbursement on the first day of his travel since he incorrectly reported the first day of travel as October 30, instead of October 29, 2022 – the day of his flight to Miami.

Employees should be familiar with FIN 14 prior to travel and the Travel Program Administrator should review the TBE Report and inform the employee of any correction that needs to be made.

Recommendations:

Community Relations

- Require the traveling employees to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This requirement should be documented in their internal form to ensure employees’ familiarity and compliance with the policy.
- Instruct employees to take the travel system training conducted by the Travel Program Administrator or a refresher course if they have not done so for several years.

Human Capital & Development (Workforce Services)

- The Travel Program Administrator should thoroughly review the TBE Report to ensure that employees submit all valid reimbursable expenses that they incurred or are allowed.

9. Incomplete Documentation for P-Card Purchases

The Purchase Card policy requires the P-Cardholder to “*ask the supplier to furnish a receipt regardless of the means of ordering. All transactions (i.e.: in-person, telephone, fax, internet) must be documented and supported with either a receipt or a completed Certification of Lost Receipt form.*” The policy further states, “*If the purchase is by phone, fax, internet, or mail, the supplier must include the evidence of receipt with the goods when the product is shipped.*”

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The Purchase Cardholder of Information Technology Services - Cost Centers 9210, 9220, 9230 & 9240 ordered seven silk flower centerpieces for \$1,260.66 which were used during the Veterans Day Luncheon on November 4, 2022.

The purchase was approved by the Chief People Officer and since flowers are considered restricted items in the P-card policy, the Director of Human Resources submitted a justification memo approved by the Deputy Chief Vendor/Contract Management.

However, we did not find the receipts for purchase from the vendor or the evidence of receipt when the centerpieces were delivered. The only supporting documents we found were order confirmation dated 10/19/2022 indicating that the order will be delivered on 10/28/2022. No amounts were indicated on each of the seven order confirmations.

On July 27, 2023, upon our inquiry, the P-Cardholder submitted the confirmations of delivery from the vendor.

All P-Card purchases should be supported by required documents to comply with the P-Card policy.

Recommendations:

Information Technology Services

- The P-Cardholder should secure receipts for all P-Card purchases regardless of the means of ordering goods.
- The Approving Official and the Business Unit Coordinator should review completeness of documentation for all P-Card purchases.

OBSERVATIONS

1. **Corporate and Professional Membership Policy.** The Corporate and Professional Membership Policy (HR 6) states that the Chief Executive Officer is the Agency representative for corporate membership. However, we noted that some invoices for corporate membership showed other employees as the designated representative. Section 2.1 of HR 6 also states that corporate memberships will be budgeted and paid for by the Office of the Chief Executive Officer (OCEO). We noted, however, that payments were charged to Cost Center 2410 – Board Relations, Policy & Research – which is under the Chief of Staff, and not under the OCEO. We brought this to the attention of Board Relations and as a result of our inquiry, HR 6 was updated to allow for a CEO designee and clarified that payment should be made from the Chief of Staff Office budget. The updated policy took effect on April 18, 2023.
2. **Relocation Expenses.** We noted non-compliance of the Employee Relocation Assistance (HR 42) policy for new hires this period such as non-submission of three cost estimates from reputable moving companies and not providing proof of residency within 30 days of

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employment. Two employees provided the telephone numbers of the other two moving companies. The Executive Officer of Talent Management stated, “*We believe the spirit of the policy was followed.*” She also provided the proof of residency of the three new hires. She advised us that her department will create a checklist for relocation requirements and will use this going forward to ensure staff compliance with HR 42.

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for prior quarters and fiscal years. (Note: All amounts were based on audit population.)

a. Reviewed Quarter (FY23 Q2) versus Prior Quarter (FY23 Q1) Miscellaneous Expenses

Miscellaneous expenses this quarter increased by \$1.5 million – more than twice the amount compared to the prior quarter. This was mainly attributed to the increase of \$1.3 million in advertising expense for the K Line Grand Opening, National Rail Safety Month media campaign, Go Pass and Brand Perceptions, Regional Connector Opening, Bus Operator Hiring, and others. Business meals and employee relocation assistance also had a combined increase of almost \$200,000.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Oct-Dec 2022	Jul-Sep 2022	Increase (Decrease)
Advertising	\$ 1,356,575	\$ 46,212	\$ 1,310,363
Business Meals	248,725	122,051	126,674
Business Travel	133,170	35,353	97,817
Corporate Membership	263,764	284,317	(20,553)
Employee Relocation	74,258	27,758	46,500
Professional Membership	11,975	8,528	3,447
Seminar and Conference Fee	65,873	53,816	12,057
Miscellaneous (50999) *	394,017	450,459	(56,442)
Others (Mileage and Parking, etc.)	11,779	15,263	(3,484)
Total	\$ 2,560,136	\$ 1,043,757	\$ 1,516,379
Increase Over Prior Quarter			145%

* 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)

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**b. Reviewed Quarter (FY23 Q2) versus Same Quarter of Prior Year (FY22 Q2)
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter significantly increased by \$1.7 million or 216% as compared to the same quarter of FY 22. All expenses, except for professional membership, increased, especially advertising which increased by \$1.13 million (500%). For the period of October to December 2021, advertising expense was only \$226,125 but incurred and recorded \$3 million in advertising in the last quarter of FY22. On the contrary, Metro incurred advertising expense of about \$1.4 million this quarter due to various campaigns, as mentioned in (a) above. See Table 2.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Oct-Dec 2022	Oct-Dec 2021	Increase (Decrease)
Advertising	\$ 1,356,575	\$ 226,125	\$ 1,130,450
Business Meals	248,725	33,914	214,811
Business Travel	133,170	28,098	105,072
Corporate Membership	263,764	145,346	118,418
Employee Relocation	74,258	10,000	64,258
Professional Membership	11,975	13,626	(1,651)
Seminar and Conference Fee	65,873	34,433	31,440
Miscellaneous (50999) *	394,017	315,690	78,327
Others (Mileage and Parking, etc.)	11,779	3,997	7,782
Total	\$ 2,560,136	\$ 811,229	\$ 1,748,907
Increase Over Same Quarter of Prior Year			216%

c. January to December 2022 versus January to December 2021

Miscellaneous expenses of \$8.6 million for the calendar year 2022 increased by \$2 million or 30% as compared with \$6.6 million in calendar year 2021. This was mainly due to increase in the following accounts: Advertising (\$500K), business travel (\$320K), business meals (\$400K), corporate membership (\$179K), seminars and conferences (\$170K), and others. See Figure 1.

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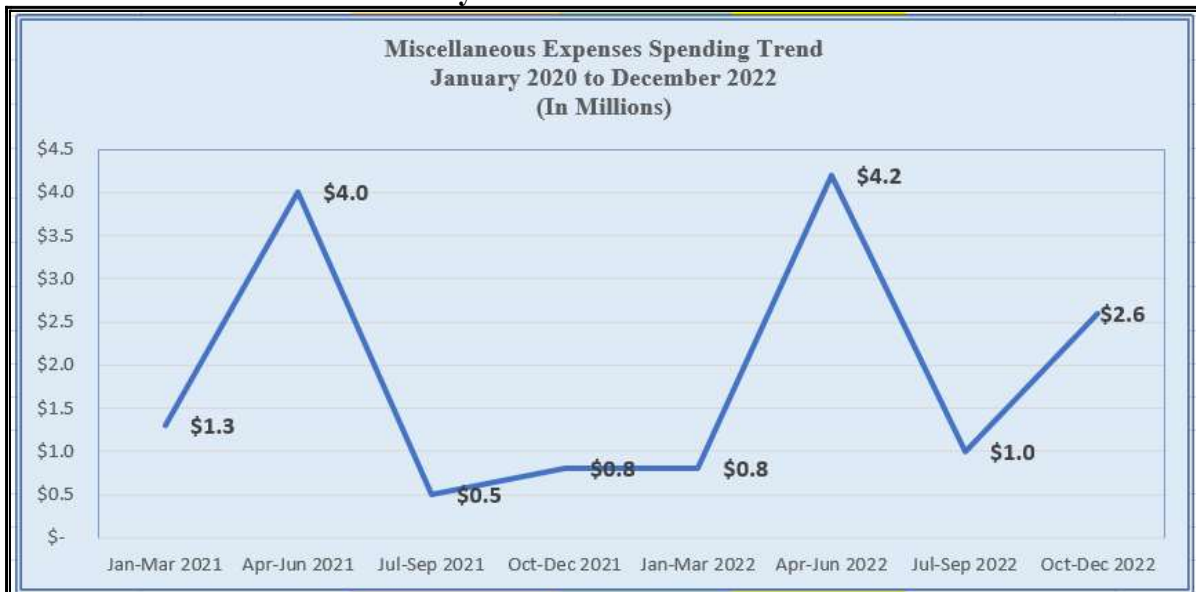
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**Figure 1: Miscellaneous Expenses per Quarter
January to December 2022 versus January to December 2021**



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

**Figure 2: Miscellaneous Expenses Spending Trend
January 2020 to December 2022**



As shown in the above chart, miscellaneous expenses were highest during the last quarter of the fiscal year. This was due to accrual of expenses, mainly advertising, in June of each fiscal year.

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For the quarters ended June 30, 2021 and 2022, advertising expense amounted to \$3.2 million and \$3 million, respectively – which was 80% and 71% of the total miscellaneous expenses for the said quarters.

The reviewed quarter posted \$2.6 million in miscellaneous expenses - \$1.4 million of which was for advertising for various media campaigns, as mentioned in Observation # 3 (a).

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of October 1 to December 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found that most of the issues found during the audit were related to international travels of the employees. Among others, we found insufficient documentation and incorrect calculation of travel expenses, and more importantly, more costly lodging due to booking by travelers close to the scheduled event date and outside the Metro travel system. We believe if management plans ahead of time, especially for international trips, it will result in lower travel expenses and more efficient use of taxpayers' money.

We also found non-compliance with the Purchase Card policy where the P-Cardholder failed to secure receipts from the vendor.

The staff explained that their non-compliance was due to oversight, human error, and non-familiarity with the policy.

We were informed Metro's Travel and Business Expense policy is being updated and is being reviewed by the Chief Executive Officer.

- Fin 14 - Non-Travel Business Expenses (FIN 14) – Owned by Finance
- Gen 65 - Metro Business Travel Guidelines - Owned by Human Capital and Development - Travel Department

The Executive Officer, Administration of Workforce Services also informed us that they are in the process of upgrading the Travel System which they believe will address some of the issues identified in this audit. However, since the transactions we audited occurred before the new policies are in place or effective, we made the recommendations to address the above issues based on the policies effective for the period we reviewed.

RECOMMENDATIONS

We recommend the following:

Operations (Rail Vehicle Acquisition)

1. Instruct staff to submit complete documents to support all charges reported on the Travel and Business Expense (TBE) Report.
2. Require staff to submit a duly approved justification memo when lodging exceeds the allowable rate.
3. Require staff to submit TBE Reports in a timely manner.
4. The traveling employee and the Travel Program Administrator should thoroughly review the TBE Report to ensure accuracy of all expenses incurred during their travel.

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

5. Management should plan and obtain approval for international travels more than 30 days in advance, to avoid costly travel expenses whenever possible.
6. Traveling employees should make travel arrangements for international trips more than 30 days in advance to secure the most reasonable rates whenever possible.

Community Relations

7. Require the traveling employees to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This requirement should be documented in the Department's internal files to ensure employees' familiarity and compliance with the policy.
8. Instruct employees to take the travel system training conducted by the Travel Program Administrator or a refresher course if they have not done so for several years.

Human Capital & Development (Workforce Services)

9. Review thoroughly the TBE Report for completeness of supporting documentation including the required justification memo.
10. Closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy.
11. Review thoroughly the TBE Report to ensure accuracy of all expenses incurred during the employee's travel.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2022 to December 31, 2022

Office of the Inspector General

Report No. 24-AUD-02

12. Update FIN 14 to require staff to submit the justification memo for excess lodging prior to travel – both domestic and international.
13. Update FIN 14 to clearly set the policy for international trips including the policy on allowing rest day for the traveling employees.
14. Update FIN 14 to specify the reasonableness of the tips allowed for reimbursement and/or specify a maximum tip/gratuity amount that Metro will reimburse travelers for transportation cost.
15. Review the TBE Report to ensure that employees submit all valid reimbursable expenses that they incurred or are allowed.
16. Update FIN 14 to include a provision on extraordinary circumstances that would allow travelers to book accommodation outside of the travel system. Require a justification memo approved by the Executive Officer and Travel Program Administrator prior to travel if there are exceptions.
17. Consider updating the Travel Request and Authorization form to include a statement similar to the Travel and Business Expense form informing the traveler to read and understand Metro's Travel and Business Expense Policy FIN 14.
18. The P-Cardholder should secure receipts for all P-Card purchases regardless of the means of ordering goods.
19. The Approving Official and the Business Unit Coordinator should review completeness of documentation for all P-Card purchases.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On August 14, 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 October 1, 2022 to December 31, 2022

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 7,333	\$ 325
50903	Business Meals	248,725	6,632
50905	Corporate Membership	263,764	185,000
50908	Employee Relocation	74,258	27,872
50910	Mileage and Parking	4,446	760
50912	Professional Membership	11,975	1,140
50914	Schedule Checkers Travel ²	0	0
50915	Seminar and Conference Fee	65,873	4,172
50917	Business Travel	133,170	16,332
50918	Advertising	1,356,575	469,450
50930	Employee Activities & Recreation ³	0	0
50999	Other Miscellaneous Expenses	<u>394,017</u>	<u>108,672</u>
	<i>Total</i>	<u>\$2,560,136</u>⁴	<u>\$820,355</u>

² Excluded from audit population; transactions were less than \$200.

³ No expenses incurred for this quarter.


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

Management Comments to Draft Report



Metro

Interoffice Memo

Date	August 15, 2023
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)
From	Conan Cheung Chief Operations Officer 
Subject	24-AUD-02 Management Response to Audit of Metro Misc. Expenses October 2022 – December 2022

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 1, 2022 – December 31, 2022. Although OIG found that the sampled transactions generally complied with Metro policies, nine issues on seven of the expenses were identified. Therefore, the actions below will be taken by Operations Rail Vehicle Acquisition and Rail Fleet Services to comply with the recommendations from the audit:

Operations (Rail Vehicle Acquisition)

Recommendation # 1

Instruct staff to submit complete documents to support all charges reported on the Travel and Business Expense (TBE) Report.

Management Response: Agree; A memo will be prepared informing staff to submit complete documents that support all charges reported on the Travel and Business Expense (TBE) Report. Management will also perform partial audits of submitted documentation for TBE Reports on a semi-annual basis.

Completion Date: September 1, 2023

Recommendation # 2

Require staff to submit a duly approved justification memo when lodging exceeds the allowable rate.

Management Response: Agree; A memo will be prepared informing staff to submit a duly approved justification memo when lodging exceeds the allowable rate. Management will also perform partial audits of justification memos on a semi-annual basis.

Completion Date: September 1, 2023

Recommendation # 3

Page | 1

Management Comments to Draft Report

Require staff to submit TBE Reports in a timely manner.

Management Response: Agree; A memo will be prepared informing staff to submit TBE Reports in a timely manner. Management will also perform partial audits of TBE Reports on a semi-annual basis.

Completion Date: September 1, 2023

Recommendation # 4

The traveling employee and the Travel Program Administrator should thoroughly review the TBE Report to ensure accuracy of all expenses incurred during their travel.

Management Response: Agree; A memo will be prepared informing staff to thoroughly review the TBE Report and ensure accuracy of all expenses incurred during their travel. 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

Operations (Rail Fleet Services & Rail Vehicle Acquisition)

Recommendation # 5

Management should plan and obtain approval for international travels more than 30 days in advance, to avoid costly travel expenses whenever possible.

Management Response: Agree; Rail Fleet Services (RFS) will require the project manager from the requesting department to ensure international travel requests are provided more than 30 days in advance to avoid costly travel expenses.

Rail Vehicle Acquisition will also prepare a memo informing staff to plan and obtain approval for international travels more than 30 days in advance. Management will follow up with staff during their semi-annual audits to ensure compliance.

Completion Date: September 1, 2023

Recommendation # 6

Traveling employees should make travel arrangements for international trips more than 30 days in advance to secure the most reasonable rates whenever possible.

Management Response: Agree; RFS will require the project manager from the requesting department to ensure international travel requests are provided more than 30 days in advance to allot enough time for employees to make travel arrangements and to secure the most reasonable rates possible.

Rail Vehicle Acquisition will also prepare a memo informing staff make travel arrangements for international trips more than 30 days in advance. Management will follow up with staff during their semi-annual audits to ensure compliance.

Completion Date: September 1, 2023

Management Comments to Draft Report

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

Management Comments to Draft Report



Metropolitan Transportation Authority

Metro**Interoffice Memo**

Date	August 21, 2023
To	George Maycott Sr. Director, Special Projects, Office of Inspector General
From	Jennifer Vides Chief Customer Experience Officer
cc:	Patricia Soto Director, Community Relations
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2022 to December 31, 2022 (Report No. 24-AUD-02)

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 October 1 to December 31, 2022. Please see below our responses to the Recommendations.

Recommendation # 7:

Require the traveling employees to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This requirement should be documented in the Department's internal files to ensure employees' familiarity and compliance with the policy.

Management Response: Agree. A memo has been prepared to inform staff to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This information is being shared with staff in meetings, and department management staff are advised to look more closely at expense reports to catch issues such as those documented. We will document this requirement in our department files.


Completion Date: The corrective action plan will be implemented by September 30, 2023.

Recommendation # 8:

Instruct employees to take the travel system training conducted by the Travel Program Administrator or a refresher course if they have not done so for several years.

Management Response: Agree. Staff were instructed to take the travel system training conducted by the Travel Program Administrator. Management will track and document compliance.

Completion Date: August 21, 2023.



August 23, 2023

Management Comments to Draft Report

Jennifer Vides
Chief Customer Experience Officer

Date

Management Comments to Draft Report


Metro

Interoffice Memo

Date	August 23, 2023
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Seleta Reynolds Chief People Officer (Interim)
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2022 to December 31, 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.

Recommendations

9. Review thoroughly the TBE Report for completeness of supporting documentation including the required justification memo.

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

10. Closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy.

Response: Staff concurs with the recommendation. During first quarter of FY23, notifications were implemented as reminders for travelers to submit an expense report within 30 days to ensure compliance with policy. Four notifications were implemented to send reminder 1st day post travel, a 2nd reminder on day 15, 3rd reminder on day 25, with 4th and final reminder on day 31 post travel.

Management Comments to Draft Report

**Metro**

Interoffice Memo

11. Review thoroughly the TBE Report to ensure accuracy of all expenses incurred during the employee's travel.

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

12. Update FIN 14 to require staff to submit the justification memo for excess lodging prior to travel – both domestic and international.

Response: Staff agrees with recommendation. The Travel & Business Expense (FIN 14) policy has been separated into two policies and approved on August 7, 2023. Travel is now the Metro Business Travel Guidelines (GEN 65), and Non-Travel is now Non-Travel Business Expenses (FIN 14). The travel guidelines in Section 2.1 and 2.5 (GEN 65) addresses lodging and guidelines for over lodging per diem exception approvals.

13. Update FIN 14 to clearly set the policy for international trips including the policy on allowing rest day for the traveling employees.

Response: Staff agrees with recommendation. The Travel & Business Expense (FIN 14) policy has been separated into two policies and approved on August 7, 2023. Travel is now the Metro Business Travel Guidelines (GEN 65), and Non-Travel is now Non-Travel Business Expenses (FIN 14). The travel guidelines in Section 2.7 address foreign travel guidelines. The current policy does not address the rest day for traveling employees, staff will review policy and update accordingly to address the rest day for traveling employees.

14. Update FIN 14 to specify the reasonableness of the tips allowed for reimbursement and/or specify a maximum tip/gratuity amount that Metro will reimburse travelers for transportation cost.

Response: The Travel & Business Expense (FIN 14) policy has been separated into two policies and approved on August 7, 2023. Travel is now the Metro Business Travel Guidelines (GEN 65), and Non-Travel is now Non-Travel Business Expenses (FIN 14). The current policy does not address gratuities, staff will review policy and update accordingly to address the reasonableness of tips.

Management Comments to Draft Report

**Metro**

Interoffice Memo

15. Review the TBE Report to ensure that employees submit all valid reimbursable expenses that they incurred or are allowed.

Response: Staff concurs with the recommendation and will ensure that when TBE reports are reviewed, expense reports are accurate, and reflect all expenses incurred or allowed.

16. Update FIN 14 to include a provision on extraordinary circumstances that would allow travelers to book accommodation outside of the travel system. Require a justification memo approved by the Executive Officer and Travel Program Administrator prior to travel if there are exceptions.

Response: Staff will review this recommendation further. The Travel & Business Expense (FIN 14) policy has been separated into two policies and approved on August 7, 2023. Travel is now the Metro Business Travel Guidelines (GEN 65), and Non-Travel is now Non-Travel Business Expenses (FIN 14). The current travel procedure allows employees to book lodging through Concursolutions.com, directly through a hotel website, or via a housing authority used by the conference. Employees are advised to book travel through means that offer the best rate available, and to consider the cancellation policy when booking a hotel reservation.

17. Consider updating the Travel Request and Authorization form to include a statement similar to the Travel and Business Expense form informing the traveler to read and understand Metro's Travel and Business Expense Policy FIN 14.

Response: The Travel & Business Expense (FIN 14) policy has been separated into two policies and approved on August 7, 2023. Travel is now the Metro Business Travel Guidelines (GEN 65), and Non-Travel is now Non-Travel Business Expenses (FIN 14). Staff will submit a Service Request to IT department to request an update to the electronic Travel Request & Authorization form generated with the existing TA/TBE travel system. During FY24, Workforce Services in collaboration with ITS will be working to upgrade the existing travel system and implement a single solution system that allows an employee to submit a travel authorization, book itineraries and process reimbursements in one platform.

Management Comments to Draft Report



Metro

Interoffice Memo

18. The P-Cardholder should secure receipts for all P-Card purchases regardless of the means of ordering goods.
19. The Approving Official and the Business Unit Coordinator should review completeness of documentation for all P-Card purchases.

Response to 18 & 19: Staff agrees with the recommendations. The Workforce Services Department which oversees the P-Card Purchases for the Chief People Office will ensure that all P-Cardholders, P-Card Approving Officials and Business Unit Coordinators will be notified to review their responsibilities as noted in the P-Card Policy and to be thorough in following the process to ensure that all P-Card purchases are supported by the required documents.

Final Report Distribution

Board of Directors

Kathryn Barger
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Janice Hahn
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Holly Mitchell
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Metro

Chief Executive Officer
Chief of Staff
Inspector General
Chief Financial Officer
Chief Customer Experience Officer
Chief Operations Officer
Chief People Officer (Interim)
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses October to December 2022

OIG Report No. 24-AUD-02
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.

Results

- ❖ Findings on international travels, such as:
 - Insufficient documentation & incorrect reporting of travel expenses
 - Costly lodging in international trips due to booking close to the event
 - Travel expense in excess of allowable rates approved after travel
 - Travel arrangements done by travelers outside of Metro's travel system

- ❖ OIG provided 19 recommendations.





Board Report

File #: 2023-0512, **File Type:** Informational Report

Agenda Number: 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 20, 2023**

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2023 FOURTH QUARTER STATUS REPORT
AND CUMULATIVE YEAR-END REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2023 Fourth Quarter status report and cumulative FY 2023 year-end report.

ISSUE

MAS is required to provide a quarterly activity report to Metro’s Board of Directors (Board) that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities.

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2023 Fourth Quarter report covers the period of April 1, 2023, through June 30, 2023; and the cumulative FY 2023 year-end for the period of July 1, 2022, through June 30, 2023.

DISCUSSION

MAS provides audit services in support of Metro’s ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety, and Asset Management including the Chief Executive Office; and other internal areas. Contract, Financial, and Compliance Audit is primarily responsible for external audits in Planning, Program Management, and Vendor/Contract Management. MAS’ functional units assure the public that internal processes and programs are being managed efficiently, effectively,

economically, ethically, and equitably; and that desired outcomes are being achieved. This assurance is provided by MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, financial management, quality assurance, and audit support, including audit follow-up, and resolution tracking.

The following summarizes MAS activity for FY 2023 Fourth Quarter and FY 2023 year ending June 30, 2023.

Performance Audits: One (1) audit project was completed for the quarter; seven (7) for the fiscal year; and six (6) were in progress.

Contract, Financial, and Compliance Audits: Eighteen (18) audits including twelve (12) Contract Pre-award audits for the Engineering Support Services for Vertical Transportation Systems & Related Services Project and four (4) financial and compliance audits of grantees with a total expenditure value of \$7 million were completed for the quarter. Forty-six (46) audits with a total expenditure value of \$90 million were completed for the fiscal year; and seventy (70) were in progress.

Financial and Compliance Audits of Metro: 147 audits were issued by external Certified Public Accounting (CPA) firms.

Transitional Indirect Cost Rate (TICR): Two (2) TICR approvals were issued for the Small Business Entities (SBE).

Audit Follow-up and Resolution: Nineteen (19) recommendations were closed for the quarter; and 45 for the fiscal year.

Note: MAS performs audit follow-up for the Office of Inspector General (OIG). Two (2) recommendations were closed for the quarter; and six (6) for the fiscal year.

The FY 2023 Fourth Quarter Status Report and Cumulative Year-End Report are included as Attachment A.

EQUITY PLATFORM

Management Audit Services' quarterly audit activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. These quarterly activities inform the cumulative end-of-year report. There are no known equity impacts or concerns from audit services conducted during FY 2023.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2023 Fourth Quarter Status Report and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

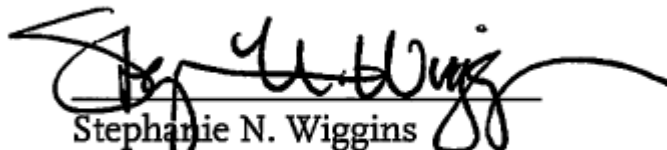
Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENT

Attachment A - FY 2023 Fourth Quarter Status Report and Cumulative Year-End Report

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-4720
Lauren Choi, Senior Director, Audit, (213) 922-3926
Alfred Rodas, Senior Director, Audit, (213) 922-4553
Monica Del Toro, Senior Manager, Audit, (213) 922-7494

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer

Fiscal Year 2023 Fourth Quarter Status Report and Cumulative Year-End Report



Metro

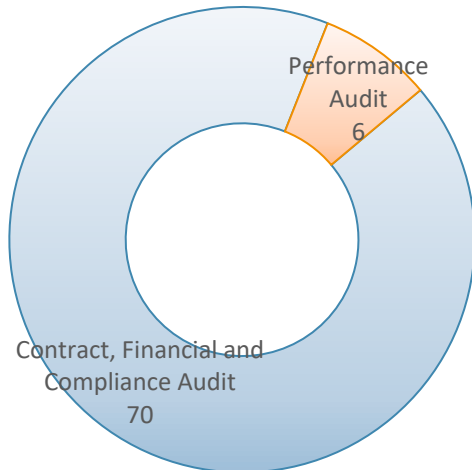
**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

In Progress Audits
as of June 30, 2023

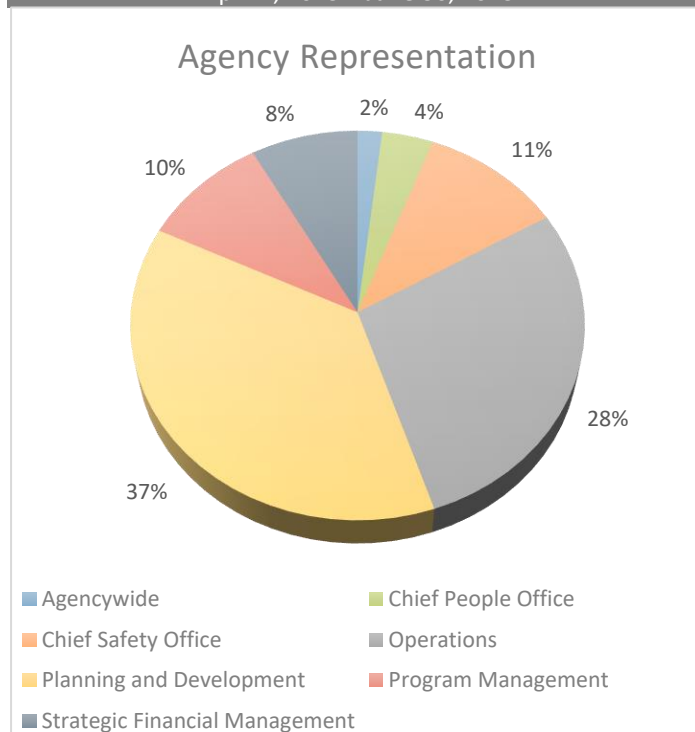


Summary of In Progress Audit Activity

Management Audit Services (MAS) has 76 in progress projects as of June 30, 2023, which include 6 performance audits and 70 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 19 open MAS audit recommendations; and 8 open Office of Inspector General (OIG) audit recommendations.

Summary of Audit Activity by Department
Reporting Period
April 1, 2023 – June 30, 2023



Summary of Fourth Quarter Completed Audit Activity

MAS completed 19 audit projects and closed 19 open audit recommendations. The projects are comprised of one (1) performance audit and 18 contract, financial and compliance audits.

The completed performance audit is highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. A summary of closed and open audit recommendations is included on page 6.

Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards and International Professional Practices Framework in addition to other types of projects performed by the Performance Audit team to support Metro. The other types of projects may include independent reviews, analysis, or assessments of select areas. The goal of non-audit services is to provide Metro with other services that help support decision-making and promote organizational effectiveness.

Performance Audit of the Micro Transit Pilot Project

MAS completed a performance audit of the Micro Transit Pilot Project (Pilot Project). The audit objective was to assess Shared Mobility's efforts in managing the Pilot Project. Areas of focus included key performance indicators and activities for managing the contract and corrective action plans, especially those related to Pilot Project operations and data management.

MAS found that internal controls were generally not given the needed attention during the Pilot Project phase. Recent enhancement efforts should have occurred earlier to optimize Pilot Project performance. Key findings noted are that the Micro Transit Team:

- Did not develop and implement monitoring practices to verify whether maintenance was being performed by the contractor.
- Did not develop and implement monitoring mechanisms to verify whether the contractor was performing timely vehicle inspections.
- Did not have documented procedures to oversee the contractor's control over the proper fueling & charging of electric vehicles.
- Operated the project without formal Standard Operating Procedures for maintenance, inspections, or operations in place.
- Did not have oversight of data collected by the contractor, including inventory and safeguarding of data.
- Did not monitor and assess agreed upon Key Performance Indicators to ensure the success of various aspects of the Pilot Project.
- Did not sufficiently oversee the contractor's enhancements and remediations to the project.

Ten (10) recommendations were provided as part of this audit. Management concurred and will implement the audit recommendations by May 2024. Corrective actions have already been initiated by management on many of the recommendations.

Contract, Financial & Compliance Audits

MAS staff completed 18 independent auditor's report on agreed-upon procedures for the following projects during the fourth quarter:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
El Capitan Environmental Services, Inc. – Environmental Services and Construction Support	N/A	N/A
City of Long Beach – Metro Blue Line Signal Prioritization Project	\$2,523,066	\$0
Gannett Fleming, Inc and Subs. – Engineering Support Services for Vertical Transportation Systems & Related Services Project (12 Audits)	N/A	N/A
City of Glendale – Glendale Bikeway Culvert Project	\$1,213,191	\$62,549
City of Santa Monica – 'No Net New Trips' Rideshare Toolkit Project	\$504,500	\$437,190
City of Lancaster – Avenue I Corridor Improvements, 15th Street W to 10th Street W Project	\$2,307,966	\$0
Intueor Consulting, Inc. – Vermont Transit Corridor Planning and Environmental Study	N/A	N/A
Total Amount	\$6,548,723	\$499,739

Details on all contract, financial and compliance audits completed during FY 2023 are included in Appendix C.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2023.

MAS and External Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Chief of Staff	1			
Chief People Office	1		4	
Chief Safety Office			5	
Operations	17	10		
Total	19	10	9	

OIG Audit Recommendations				
Executive Area	Closed	New	Currently Open	Past Due
Operations	1			
Chief Safety Office	1		8	
Total	2		8	

Details of open audit recommendations for MAS and OIG are included in Appendix E and F.

FY 2023 Year-End Activity

Cumulative FY 2023 Completed Audit Activity

As of the FY 2023 year-end, MAS completed 200 audit projects and closed 45 audit recommendations. Additionally, MAS completed 2 TICR determinations.

Summary of Completed Projects

The completed audit projects comprise of:

- 7 performance audits which also include independent reviews, analysis or assessments of select areas;
- 46 contract, financial and compliance audits with an audit value amount of \$90 million; of which \$6.6 million or 7% of identified unused funds that may be reprogrammed; and
- 147 financial and compliance audits comprised mainly of legally mandated audits such as Prop A & C, Measure R, Measure M, State Transit Assistance (STA), Transportation Development Act (TDA), National Transit Database (NTD), and other funds distributed to the cities and County of Los Angeles.

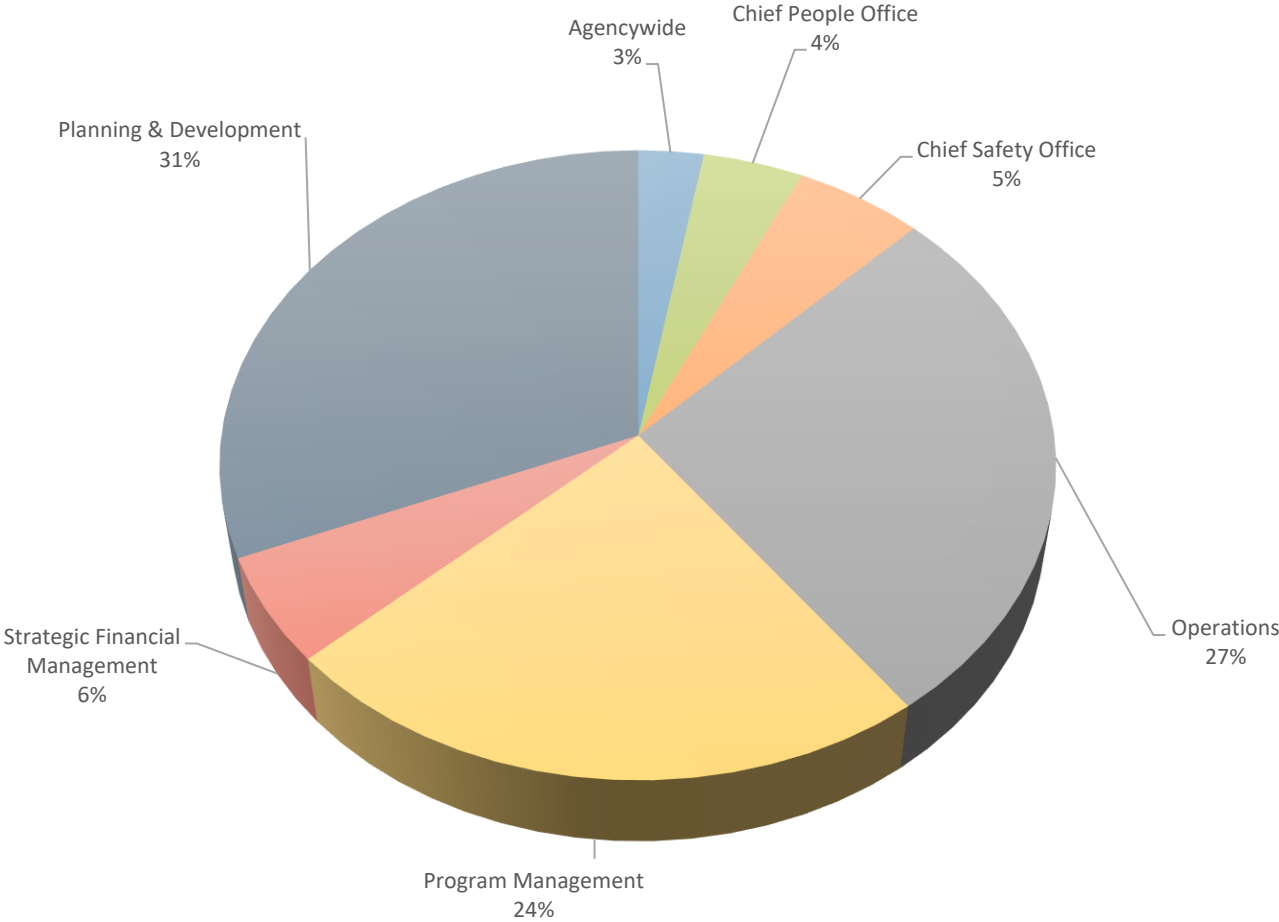
Refer to Appendix B – Performance Audits Completed; and Appendix C – Contract, Financial and Compliance Audits Completed.

In addition, 2 TICR determinations were reviewed and approved. A list of firms enrolled in the pilot program as of June 30, 2023 is included in Appendix D.

Audit Follow-up

MAS closed 45 open recommendations during the fiscal year and provided administrative support for the closure of 6 open OIG recommendations.

Cumulative FY 2023 Audit Activity by Department



Appendix A

Performance Audit - In Progress Audits as of June 30, 2023				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Planning & Development	21-PLN-P02 - Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	7/2023
2	Operations	22-OPS-P03 - OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. Training records will be assessed for accuracy and completeness.	9/2023
3	Program Management	23-OMB-C01 - Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for capital projects. Consider the construction market analyses done by Program Management as well as any consideration that has been given to hedging strategies, estimating and forecasting efforts related to this area.	9/2023
4	Operations	21-SEC-P01 - Business Continuity Plan	Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.	9/2023
5	Strategic Financial Management \ Chief People Office	23-ITS-P01 - Third Party Risk Management (Outsourced Service Providers)	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.	1/2024
6	Strategic Financial Management	23-VCM-P01 - Performance Audit of Contract Price Structures for Professional Services	Assess the process performed by contract administrators and project managers for firm fixed-price professional service contracts, payment structures and performance milestones. Assess the process used to determine the use of firm fixed price professional services contracts.	10/2023

Appendix B

Performance Audit - Audits Completed as of June 30, 2023				
No.	Area	Audit Number & Title	Description	Date of Completion
1	Planning and Development	21-PLN-P01 - Performance Audit of Micro Mobility Vehicle Pilot Program	Assess the progress made in achieving program goals and objectives, including the consideration given to the Metro Rapid Equity Assessment Tool.	9/30/2022
2	Chief Safety Office	21-RSK-P03 - Performance audit of Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	9/30/2022
3	Chief People Office	22-ITS-P01 - Follow-up of Cybersecurity Assessment Recommendations	Agreed upon procedures report to assess the status of work done by ITS in response to a previously performed cybersecurity review.	11/4/2022
4	Operations	22-OPS-P04 - Special Review of the Central Maintenance Shops (CMS) Manufacturing Process	Review the Central Maintenance Shops manufacturing request process for reasonableness, efficiency, completeness and safety considerations.	12/23/2022
5	Program Management	23-CON-P01 - Special Review of the Metro Center Project	Examine the factors that contributed to Metro needing to repay back CalOES grant funds related to the Metro Center Project. In addition, review usage of project grant funds, project communication, program management practices, and confirm the planned scope for the Metro Center Project aligns with the scope described in the October 2020 Board Report.	2/28/2023
6	Strategic Financial Management	Business Interruption Fund (BIF) Pilot Program	Determine Pacific Coast Regional Small Business Development Corporations (PCR) compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures for the Fiscal year ended June 30, 2022	3/13/2023
7	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	Assess Shared Mobility's efforts in managing the Micro Transit Program.	6/2/2023

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Planning & Development	22-PLN-A02 - Agreed-Upon Procedures	City of Culver City	7/2022
2	Planning & Development	22-HWY-A02 - Agreed-Upon Procedures	City of Burbank	9/2022
3	Planning & Development	19-HWY-A07 - Agreed-Upon Procedures	City of Downey	9/2022
4	Planning & Development	19-HWY-A05 - Agreed-Upon Procedures	City of Calabasas	9/2022
5	Planning & Development	20-HWY-A13 - Agreed-Upon Procedures	Michael Baker International, Inc.	9/2022
6	Program Management	21-CON-A02 - Agreed-Upon Procedures	Watearth, Inc.	9/2022
7	Planning & Development	22-HWY-A04 - Agreed-Upon Procedures	County of Los Angeles	9/2022
8	Program Management	19-CON-A24 - Agreed-Upon Procedures	ILF Consultants, Inc.	9/2022
9	Program Management	20-PLN-A15 - Agreed-Upon Procedures	ILF Consultants, Inc.	9/2022
10	Planning & Development	23-PLN-A02 - Agreed-Upon Procedures	City of West Hollywood	9/2022
11	Planning & Development	19-HWY-A10 - Agreed-Upon Procedures	City of Glendale	11/2022
12	Program Management	22-CON-A01 - Agreed-Upon Procedures	Global ASR Consulting, Inc.	11/2022

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
13	Planning & Development	22-PLN-A03 - Agreed-Upon Procedures	City of Arcadia	12/2022
14	Program Management	20-CON-A04 - Agreed-Upon Procedures	Cogstone Resource Management, Inc.	12/2022
15	Planning & Development	20-PLN-A52 - Agreed-Upon Procedures	City of Los Angeles Harbor Department	12/2022
16	Planning & Development	22-PLN-A05 - Agreed-Upon Procedures	City of Baldwin Park	12/2022
17	Program Management	20-CON-A08 - Agreed-Upon Procedures	Pacifica Services, Inc.	1/2023
18	Planning & Development	22-HWY-A07 - Agreed-Upon Procedures	City of El Segundo	1/2023
19	Planning & Development	20-HWY-A14 - Agreed-Upon Procedures	City of Commerce	1/2023
20	Planning & Development	20-PLN-A54 - Agreed-Upon Procedures	City of Commerce	1/2023
21	Program Management	19-CON-A07 - Agreed-Upon Procedures	BA Inc.	2/2023
22	Program Management	19-CON-A08 - Agreed-Upon Procedures	BA Inc.	2/2023
23	Planning & Development	23-PLN-A05 - Agreed-Upon Procedures	City of Palmdale	2/2023
24	Planning & Development	22-PLN-A04 - Agreed-Upon Procedures	City of Santa Clarita	3/2023

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
25	Planning & Development	21-HWY-A03 - Agreed-Upon Procedures	City of Downey	3/2023
26	Planning & Development	20-PLN-A12 - Agreed-Upon Procedures	CH2M Hill, Inc.	3/2023
27	Planning & Development	23-PLN-A06 - Agreed-Upon Procedures	City of Santa Clarita	3/2023
28	Program Management	22-CON-A06 - Agreed-Upon Procedures	Virtek Company	3/2023
29	Program Management	22-CON-A02 - Agreed-Upon Procedures	El Capitan Environmental Services, Inc.	4/2023
30	Planning & Development	23-PLN-A03 - Agreed-Upon Procedures	City of Long Beach	4/2023
31	Operations	23-OPS-A01(C) - Agreed-Upon Procedures	JM Diaz, Inc.	5/2023
32	Operations	23-OPS-A01(D) - Agreed-Upon Procedures	Kleinfelder, Inc.	5/2023
33	Operations	23-OPS-A01(E) - Agreed-Upon Procedures	Lenax Construction Services, Inc.	5/2023
34	Operations	23-OPS-A01(G) - Agreed-Upon Procedures	PacRim Engineering, Inc.	5/2023
35	Operations	23-OPS-A01(J) - Agreed-Upon Procedures	Triunity, Inc.	5/2023
36	Operations	23-OPS-A01(K) - Agreed-Upon Procedures	Wagner Engineering & Survey, Inc.	5/2023
37	Operations	23-OPS-A01(A) - Agreed-Upon Procedures	Anil Verma Associates, Inc.	5/2023
38	Planning & Development	23-HWY-A03 - Agreed-Upon Procedures	City of Glendale	5/2023

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2023				
No.	Area	Audit Number & Type	Auditee	Date Completed
39	Operations	23-OPS-A01 - Agreed-Upon Procedures	Gannett Fleming, Inc.	5/2023
40	Operations	23-OPS-A01(B) - Agreed-Upon Procedures	C2PM's, Sub to Gannett Fleming, Inc.	5/2023
41	Operations	23-OPS-A01(F) - Agreed-Upon Procedures	Mammoth Associates, LLC	5/2023
42	Operations	23-OPS-A01(H) - Agreed-Upon Procedures	PBS Engineers, Inc.	5/2023
43	Operations	23-OPS-A01(I) - Agreed-Upon Procedures	Sommer Engineering, Inc.	5/2023
44	Planning & Development	23-PLN-A07 - Agreed-Upon Procedures	City of Santa Monica	6/2023
45	Planning & Development	23-PLN-A08 - Agreed-Upon Procedures	City of Lancaster	6/2023
46	Planning & Development	23-PLN-A17(E) - Agreed-Upon Procedures	Intueor Consulting, Inc.	6/2023

Appendix D

Transitional Indirect Cost Rate – Approved Firms as of June 30, 2023		
No.	Firm	Approval Date
1	Casamar Group LLC	9/15/2022
2	MPF, Inc.	4/20/2023

Appendix E

Open Audit Recommendations as of June 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	7	We recommend that the Deputy Chief Information Technology Officer require Information Security management to establish a formal guideline that guides decisions on who should receive information security awareness training and the type of such training method. This guideline should consider the access levels of users, the cost-benefit associated with training different groups of users, and the risks associated with not providing training to particular users. Training and its frequency may be customized and tailored to provide the education and information applicable and necessary to the group of participants.	7/31/2023	
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	16	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
3	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	17	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to clarify and enforce the roles and responsibilities of system owners and data custodians to review and update the access list periodically.	12/31/2024	
4	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	18	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
5	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1a	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. a) Develop a formal process to obtain necessary asset information.	8/31/2023	
6	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1aii	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. ii. Propose to Accounting a revised Capital Asset Transfer request form to obtain sufficient asset information when assets are acquired and/or placed in service.	8/31/2023	
7	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. b) Continue working with the EAMS implementation team to plan, design, develop and implement a system integration/interface to transfer available asset data from the accounting system to the new EAMS.	11/30/2022	12/31/2024
8	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	2	For existing assets, make use of accounting records to identify all missing assets that should be in the TAM database.	11/30/2022	8/31/2023
9	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	3	Work with the EAMS implementation team and other functional groups (Accounting, ITS, Operations etc.), who maintain an asset list, to consolidate inventory records in the upcoming EAMS.	11/30/2022	12/31/2024
10	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	1	Follow through on obtaining Administrator access rights to the existing Fleetio account and make use of the features that can further assist the Micro Transit team to enhance the monitoring of the maintenance condition of its vehicle fleet.	5/31/2023	9/30/2023

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
11	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	2	Develop written procedures and implement the following: a) monitoring follow-up procedures for maintenance activities. b) track vehicles placed out of service as a result of low fuel or charging issues. c) formal monitoring procedures for the contractor's vehicle, fuel/charging practices. d) finalize implementation of the following: (i) Establish "6/24" Service Interruption Procedure, and (ii) Issue Liquidated Damages or Deductions in Year three and secure agreement with SMART-TD for new work for Micro Operators to directly fuel and electrify fleet. e) periodic checks of the data that is being collected of the contractor, as required by the contract. f) a process to ensure that the contractor is identifying and addressing service delays, route issues, and customer satisfaction timely and providing evidence of this to the Micro Transit team. g) formalize and approve the training provided by the contractor for Electric Vehicles.	12/31/2023	
12	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	3	Seek Metro Maintenance Operations expertise to assist the Micro Transit team: a) to assess the condition of Micro Transit vehicles by performing periodic inspections. b) with the review and approval of the draft SOPs for vehicle inspection.	5/31/2024	
13	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	4	For the draft SOPs: a) establish a timeframe to finalize the approval of the draft SOPs for vehicle inspections, and b) clarify roles and responsibilities of the contractor regarding timely vehicle inspections. c) establish a definitive timeline for finalizing the review and approval of the SOPs for inspections, maintenance, and Operations. d) seek guidance and input from other Metro departments, such as Bus Operations, regarding the adequacy of the draft SOPs submitted by the contractor.	4/30/2023	9/30/2023
14	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	5	Obtain assistance from Metro OCI on the Metro Micro Operator Training Plan for the newly hired Micro Transit operators, for final approval from OCI and Micro Transit.	6/30/2023	9/30/2023
15	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	6	Develop a plan to work with V\CM to enforce the contract for year three and subsequent of the pilot program, as it relates to data-supported analyses to determine when service gaps exist and how to best remediate these gaps timely.	5/31/2023	9/30/2023
16	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	7	Finalize implementation of the following planned action: Issuance of the year Three SOW with Project Manager Standards and SOPs as exhibits.	4/30/2023	9/30/2023
17	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	8	Prepare an evaluation of the MTP zone parameters to see if these should be adjusted to increase utilization.	Ongoing	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	9	Assess and implement the incentives and deduction regimes.	Ongoing	
19	Operations	22-OPS-P01 - Performance Audit of the MicroTransit Pilot Project	10	Request that the Information Technology unit review the contractor's security policy for appropriateness, and test for adherence to such policy, including inspecting training records, as required.	8/1/2023	9/30/2023

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix F

OIG Open Audit Recommendations as of June 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	2	SSLE should ensure that future contracts include a contract budget that specifies the amount of funds budgeted for each contract year and develop procedures to help ensure that the annual budgets are adhered to.	7/31/2023	
2	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	3	SSLE should in future contracts, to more effectively control and track the use of contract funds, allocate within the budget a separate reserve amount to be used for special events and enhanced deployments.	7/31/2023	
3	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	4	SSLE should for future contracts, consider the impact that the use of full-time contracted personnel will have on the use of funds over the life of the contract. In addition, specify within the contract the job classifications, and number of positions within each classification that can be charged to the Metro contract on a full-time basis.	7/31/2023	
4	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	10	SSLE should for future contracts, work with each contractor to include language in their respective contracts that more thoroughly and clearly define how services will be billed and what costs will be allowed and/or disallowed.	7/31/2023	
5	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	15	SSLE should for required reporting, review with input from the law enforcement agencies, the reports and information currently required to determine if changes are necessary. As part of this review determine if different or additional information would be more beneficial.	Ongoing	
6	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	16	SSLE should with input from the three law enforcement agencies, develop baseline performance levels (targets and goals) for key performance indicators.	9/15/2023	
7	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	17	SSLE should develop and update annually a written agency-wide Community Policing Plan.	9/15/2023	

Appendix F

OIG Open Audit Recommendations as of June 30, 2023						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	20	SSLE should include in future contracts the requirement of wearing body cameras by all contracted law enforcement personnel when policing the Metro System.	9/15/2023	

Management Audit Services

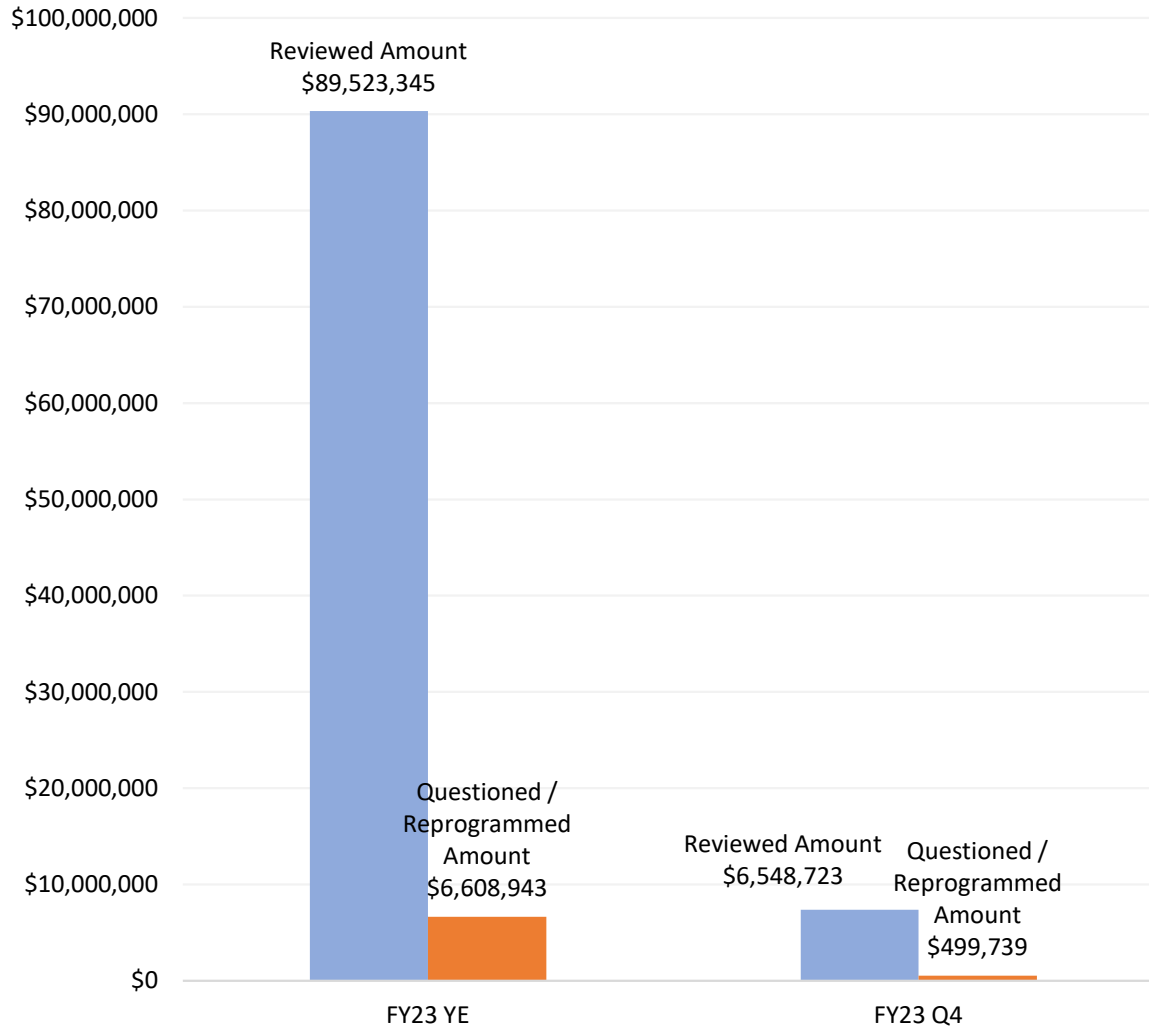
FY 2023 Fourth Quarter and Cumulative Year-end Report

Finance, Budget & Audit Committee
September 20, 2023



MANAGEMENT
AUDIT SERVICES

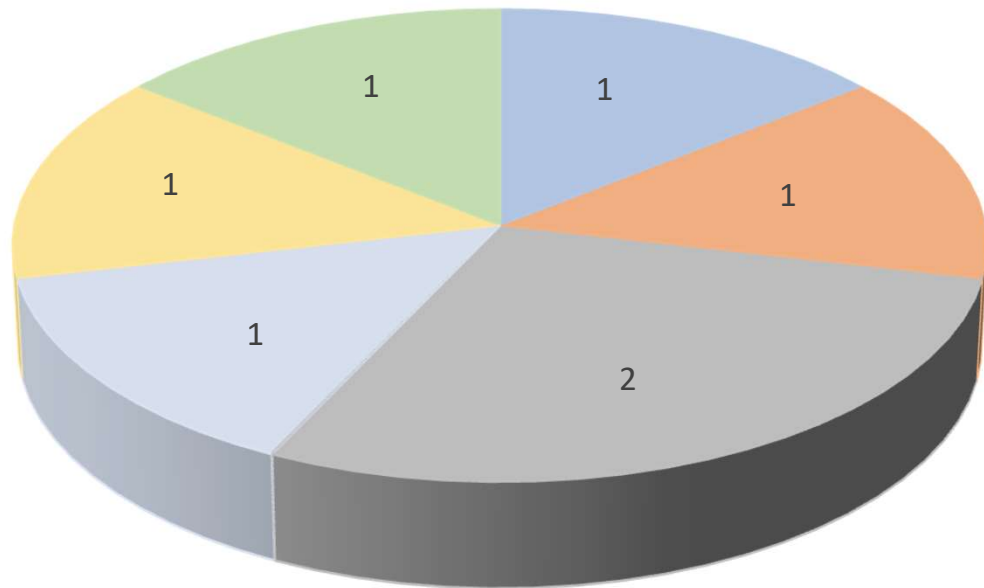
Completed: Contract, Financial & Compliance Audits



- Delivered financial audits that reviewed \$90M of funding for FY23 YE and \$6.6M for FY23 Q4; and identified \$6.6M and \$.5M, respectively for reprogramming.

Completed: Performance Audits

Agency Representation



■ Chief People Office
■ Operations
■ Program Management

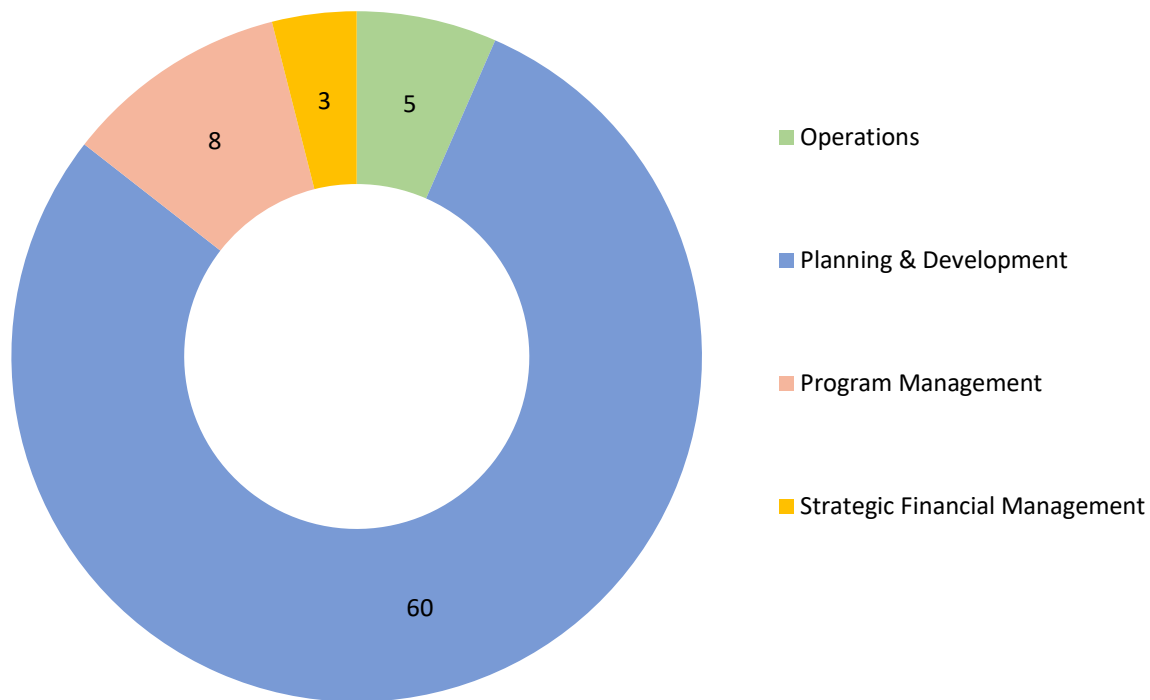
■ Chief Safety Office
■ Planning and Development
■ Strategic Financial Management

Completed 7 Audits:

- Micro Mobility Pilot Program
- Transit Asset Inventory
- Cybersecurity Assessment
- Central Maintenance Shops
- Metro Center Project
- Business Interruption Fund
- Micro Transit Pilot Project







In Progress: MAS Audit Activity

Agency Representation



- 6 Performance Audits
- 70 Contract, Financial and Compliance Audits

In Progress: Performance Audits

	Audit Title	Description	Estimated Completion			
			FY24 Q1 Jul - Sept	FY24 Q2 Oct - Dec	FY24 Q3 Jan - Mar	FY24 Q4 Apr - Jun
1	Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.				
2	OCI Training	Assess compliance of training records of new bus operators and of operations employees with applicable requirements, completeness and accuracy.				
3	Capital Project Inflation Risk	Review Metro's process for projecting and managing inflation risk for construction projects.				
4	Business Continuity Plan - Rail	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.				
5	Third Party Risk Management	Assess Metro's third party risk management policy and program, with a focus on management of information security risks.				
6	Contract Price Structures for Professional Services	Assess process performed by contract administrators / project managers for firm fixed-price professional service contracts, payment structures and performance milestones.				

Next Steps

- Ongoing implementation of performance and financial audits and reporting
- Delivery of Consolidated Audit Reports and Annual Comprehensive Financial Reports (FY 23)
- Focused efforts on MAS quality improvement and value-added audit services