



**Metro**

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

**Agenda - Final**

**Wednesday, January 17, 2024**

**11:00 AM**

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5647249# (English) or 7292892# (Español)

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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)**

### **PUBLIC INPUT**

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.

### **INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD**

Agendas for the Regular MTA Board meetings are prepared by the Board Clerk and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded and is available at <https://www.metro.net> or on CD's and as MP3's for a nominal charge.

## DISCLOSURE OF CONTRIBUTIONS

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.

## ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).

## LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.

Requests can also be sent to [boardclerk@metro.net](mailto:boardclerk@metro.net).



**323.466.3876**

x2 *Español (Spanish)*

x3 *中文 (Chinese)*

x4 *한국어 (Korean)*

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**NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA**

### **Live Public Comment Instructions:**

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

The Committee Meeting begins at 11:00 AM Pacific Time on January 17, 2024; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 202-735-3323 and enter  
English Access Code: 5647249#  
Spanish Access Code: 7292892#

***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.***

### **Instrucciones para comentarios publicos en vivo:**

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 17 de Enero de 2024. Puedes unirse a la llamada 5 minutos antes del comienzo de la junta.

Marque: 202-735-3323 y ingrese el codigo  
Codigo de acceso en ingles: 5647249#  
Codigo de acceso en espanol: 7292892#

***Los comentarios del público se tomaran 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: 5 and 6.

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

## CONSENT CALENDAR

5. **SUBJECT: ACCESS SERVICES - SEMI-ANNUAL UPDATE** [2023-0745](#)

### RECOMMENDATION

RECEIVE AND FILE status report on Access Services - ADA Paratransit.

Attachments: [Attachment A - Access Services KPIs  
Presentation](#)

6. **SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2023 TO MARCH 31, 2023** [2023-0722](#)

### RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2023 to March 31, 2023.

Attachments: [Attachment A - Final Report on Misc. Expenses Jan-Mar 2023  
Presentation](#)

## NON-CONSENT

7. **SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT PROCESS** [2023-0728](#)

### RECOMMENDATION

RECEIVE AND FILE The Fiscal Year 2025 (FY25) Budget Development Process.

8. **SUBJECT: BUILD AMERICA, BUY AMERICA ACT** [2023-0773](#)

### RECOMMENDATION

RECEIVE AND FILE a report on the Build America, Buy America Act.

Attachments: [Attachment A - Board Motion 10](#)

**SUBJECT: GENERAL PUBLIC COMMENT**

[2024-0006](#)

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 #: 2023-0745, File Type: Informational Report

Agenda Number: 5.

FINANCE, BUDGET AND AUDIT COMMITTEE  
JANUARY 17, 2024

SUBJECT: ACCESS SERVICES - SEMI-ANNUAL UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on Access Services - ADA Paratransit.

ISSUE

This is a semi-annual update on Access Services (Access).

BACKGROUND

Access is the Los Angeles County transit agency that provides paratransit services on behalf of Metro and 45 other fixed route operators, as mandated by the Americans with Disabilities Act (ADA). Eligibility for Access is based on a person’s ability to utilize accessible fixed-route buses and trains in Los Angeles County; Access currently has 110,000 registered riders. Access’ paratransit service is a next-day, shared-ride, curb-to-curb service with additional assistance available to qualified individuals. The service is operated by six contractors in the following regions: Eastern, Southern, West Central, Northern, Santa Clarita, and Antelope Valley. Access provides service to customers traveling between locations within 3/4 of a mile of local bus routes and rail lines. Customers call Access service providers directly to make trip reservations or book trips online.

DISCUSSION

FY24 Operational Performance

Access has provided more than 1.1 million trips as of October 2023, which is 7 percent higher than forecasted. Passenger trips are currently at 88.4 percent of pre-Covid levels compared to 2019.

Overall, Access’ contractors are now fully staffed with drivers and key personnel in all six service regions, which has helped Access meet nearly all of the Key Performance Indicators (KPIs) through October 2023; complaints per 1,000 trips continues to decrease from the prior fiscal year.

Attachment A has the KPIs established to ensure equitable service levels are provided throughout all regions of Los Angeles County. For more detailed information on Access’ overall system statistics by

service region, please see Access' monthly Board Box report at [http://accessla.org/about\\_us/publications.html](http://accessla.org/about_us/publications.html).

#### Other Operational Initiatives - Update

**Antelope Valley Operations and Maintenance Facility:** One of the main goals of Access' recently adopted 2022-2026 Strategic Plan is the development of Access-owned or controlled paratransit operations and maintenance facilities. In November 2022, the Access Board approved the purchase of land in Lancaster, CA for the development and construction of a paratransit operations and maintenance facility. This year, the Access Board approved the purchase of additional land to accommodate future fleet expansion, provide for on-site fueling and electric charging infrastructure. The facility is projected to open in early 2026.

**Access Flex Transportation Network Company (TNC) Pilot Program:** Access' Southern Region has implemented a TNC pilot program called Access Flex where the contractor provides a limited number of ADA paratransit trips with TNCs such as Uber, as well as non-Access certified taxis. Access Flex is a "rider choice" program whereby TNCs and taxis are only sent to customers who opt into the program. The program was developed to provide additional operational capacity during peak times. Implemented in July 2023, the program now has over 150 riders that have fully opted into the program and more than 900 trips have been completed. The pilot program is being evaluated on an on-going basis for cost effectiveness, efficiency, and customer satisfaction.

**Electric Paratransit Vehicle Pilot Program:** Access has a total of 1,319 vehicles available for ADA paratransit service including taxis, minivans, and sedans. The majority of the fleet is regular gas with 16% CNG powered. Access has identified the large Dodge Ram ProMaster as the most suitable model for conversion to an accessible electric vehicle. The ProMaster is scheduled to clear federally required safety testing in February 2024, after which it will be available for purchase. Access staff are also proactively working with other vehicle manufacturers to determine if their electric vehicles may be a fit for Access' operational needs.

**2028 Olympics/Paralympics Planning:** Access staff recently met with Metro to discuss the 2028 Olympics/Paralympics and to discuss concepts for an Access operations and maintenance facility to support the games. Furthermore, Access discussed operational planning for the Olympics/Paralympics, including site planning and security requirements at the Olympic venues.

#### Other Community Initiatives - Update

**Aging & Disability Transportation Network (ADTN) Summit:** Metro, Access, and the Aging and Disability Transportation Network (ADTN) recently held a virtual summit. The public was invited to share ideas on how Metro and Access can enhance their support for the transportation needs of older adults and individuals with disabilities. During the summit, ADTN members acknowledged the advocacy efforts and the successful initiatives that have been implemented to address the transportation needs of this population, including the expansion of the Parents with Disability program countywide.



**Community Meeting:** Access hosted a virtual community meeting on September 23, 2023. A variety of operational topics, such as Access' Flex program and transfer locations were discussed and riders in attendance were able to ask questions and get assistance with operational issues directly from Access staff. Assistance was provided on how to use the Where's My Ride app and how to apply for Access.

**Spirit of Accessibility Award:** Access held its Annual Membership meeting in November, which was attended by Metro and numerous municipal and local operator representatives. One of the highlights of the meeting was the presentation of Access' *Spirit of Accessibility Award* to Metro's *On the Move Riders Program*, which has been instrumental in showcasing how public transportation can be a transformative force in enhancing the lives of older adults in Los Angeles County.

**Working with Community Partners:** Access continues to consult on a variety of issues with its community and public agency partners, including its own Community Advisory Committee (CAC), the Aging and Disability Transportation Network (ADTN), the Los Angeles City and County Commissions on Disabilities (LACCOD), Rancho Los Amigos National Rehabilitation Center, and various Metro departments.

## **EQUITY PLATFORM**

By federal mandate, Access exclusively serves people with disabilities. Most recently, Access analyzed its service area map to determine the percentage of riders served in Equity Focus Communities (EFCs). From January 1, 2023, through October 31, 2023, about 46.1 percent of all trips taken by 45,000 Access riders were picked up in EFCs. As EFCs comprise approximately 40 percent of Los Angeles County, this shows that EFCs are being proportionately and well served by Access.

Access recently completed an analysis of the equity impacts of Metro's NextGen plan on its service area and riders. ADA paratransit services must be provided up to  $\frac{3}{4}$  of a mile from a fixed-route bus or rail line. Thus, paratransit service areas can grow or shrink based on the fixed-route footprint. The analysis focused on trip data from October 2022 to March 2023. Over that period, the service map reductions would have affected 681 riders and 412 locations for a total of 7,854 trips, mostly in the Porter Ranch area of the San Fernando Valley. Based on this data, the Access Services Board of Directors approved a new service area map policy that effectively kept the boundaries of the ADA paratransit service area the same, maintaining service to existing customers in the affected area.

On a semi-annual basis, Access conducts countywide community meetings designed to allow customers and stakeholders to receive information about Access and ask staff direct questions about their service experience. Closed captioning, language translation and interpretation services, braille, and large print materials are available upon request to ensure all customers throughout Los Angeles County can participate. The next community meeting is planned for early 2024.

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**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Goal 2: Deliver outstanding trip experiences for all users of the transportation system

Goal 3: Enhance communities and lives through mobility and access to opportunity

**NEXT STEPS**

Access is working on the following:

- Implementing a contract award for paratransit services in Access' Eastern (San Gabriel Valley) region to San Gabriel Transit, Inc.
- Seeking grant funding for Access-owned operations and maintenance facilities and its electric vehicle pilot project.
- Developing the FY25 budget request.
- Initiating the FY24 customer survey via both text message and telephone. Results should be available in April 2024.

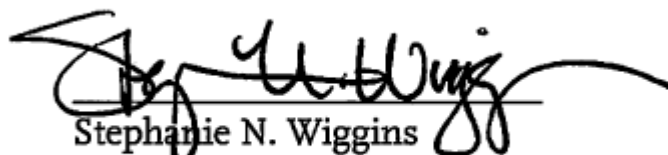
**ATTACHMENTS**

Attachment A - Access Services Key Performance Indicators

Prepared by: Fayma Ishaq, Accessibility Program Manager, 213-922-4925

Giovanna Gogreve, Director, Budget, 213-922-2835

Reviewed by: Nalini Ahuja, Chief Financial Officer, 213-922-3088



Stephanie N. Wiggins  
Chief Executive Officer

Access Services Key Performance Indicators (KPIs)

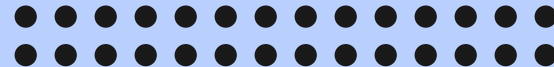
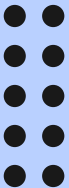
A comparison summary of the main KPIs is provided below:

<b>Key Performance Indicators</b>	<b>Standard</b>	<b>FY23</b>	<b>FY24 YTD*</b>
On-Time Performance	≥ 91%	91.3%	<b>92.5%</b>
Excessively Late Trips	≤ 0.10%	0.05%	<b>0.01%</b>
Excessively Long Trips	≤ 5.0%	3.6%	<b>3.3%</b>
Missed Trips	≤ 0.75%	0.44%	<b>0.35%</b>
Denials	0	4	2
Access to Work - On-Time Performance	≥ 94%	95.5%	<b>96.7%</b>
Average Hold Time (Reservations)	≤ 120	60	<b>59</b>
Calls On Hold > 5 Min (Reservations)	≤ 5%	2.3%	<b>2.4%</b>
Calls On Hold > 5 Min (ETA)	≤ 10%	2.0%	<b>2.3%</b>
Complaints Per 1,000 Trips	≤ 4.0	2.7	<b>2.3</b>
Preventable Incidents per 100,000 miles	≤ 0.25	0.19	<b>0.17</b>
Preventable Collisions per 100,000 miles	≤ 0.75	0.82	0.87
Miles Between Road Calls	≥ 25,000	41,561	<b>39,861</b>

\*Statistical data through October 2023

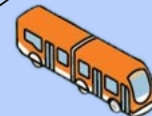
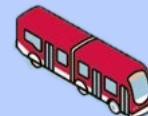
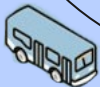


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# Access Services Semi-Annual Update Finance, Budget & Audit Committee

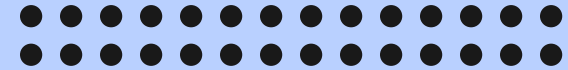
January 2024



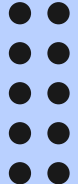
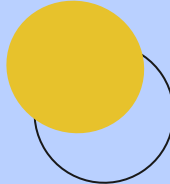


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# Key Performance Goals



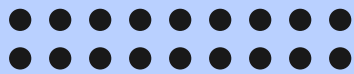
Key Performance Indicators	Standard	FY23	FY24 YTD*
On Time Performance	≥ 91%	91.3%	<b>92.5%</b>
Excessively Late Trips	≤ 0.10%	0.05%	<b>0.01%</b>
Excessively Long Trips	≤ 5.0%	3.6%	<b>3.3%</b>
Missed Trips	≤ 0.75%	0.44%	<b>0.35%</b>
Denials	0	4	2
Access to Work On Time Performance	≥ 94%	95.5%	<b>96.7%</b>
Average Hold Time (Reservations)	≤ 120	60	<b>59</b>
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Miles Between Road Calls	≥ 25,000	41,561	<b>39,861</b>



\* Statistical data through October 2023



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# Operational Initiatives



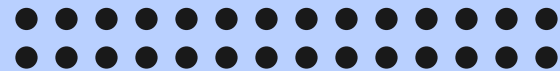
- Antelope Valley Operations & Maintenance Facility
  - Access acquired 6.8 acres of land in Lancaster
  - Projected facility opening in early 2026
- Access Flex (TNC Pilot Program)
  - Provides more operational capacity for contractors
  - Riders must opt-in to receive a TNC or taxi
- Electric Paratransit Vehicles
  - Large Dodge Ram ProMaster
  - Expected to clear federally required safety testing in February 2024
- 2028 Olympic/Paralympic games planning
  - An Access operations and maintenance facility for the games; also planning and security for venues
  - Integrate paratransit service with Metro & Olympic Committee





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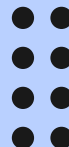
# Working with the Community



- Spirit of Accessibility Award
  - Metro's On the Move Riders Program
  - November 2023
  
- ADTN Summit
  - Access & Metro explored ways to enhance support for the transportation needs of older adults and individuals with disabilities
  
- Community Meeting
  - Virtual meeting held in September 2023
  - Discussed operational topics and Q&A session



*Spirit of Accessibility Award  
Metro's On the Move Riders Program*

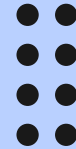
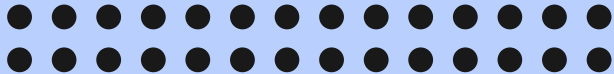




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# Agency Update/Next Steps

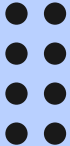
- Implementing the Eastern (San Gabriel Valley) service region contract award.
- Seeking grant funding for Access-owned operations and maintenance facilities and its electric vehicle pilot project
- Initiating FY24 customer satisfaction survey.
- Developing the FY25 budget request with Metro.







Thanks!





## Board Report

File #: 2023-0722, File Type: Informational Report

Agenda Number: 6.

### FINANCE, BUDGET, AND AUDIT COMMITTEE JANUARY 17, 2024

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2023 TO MARCH 31, 2023**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2023 to March 31, 2023.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2023 to March 31, 2023. This audit was performed pursuant to Public Utilities Code Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

#### **BACKGROUND**

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

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

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2023 to March 31, 2023. For this period, miscellaneous expenses totaled \$2,395,157 with 623 transactions. We selected 54 expense transactions totaling \$1,134,346 for detail testing.

#### **DISCUSSION**

##### Findings

The miscellaneous expenses we reviewed for the quarter of January 1 to March 31, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues that were mostly related to business travels of Metro employees such as costly airfare due to travel arrangements made close to the event date, absence of a justification memo for lodging in excess of the allowable rate, and late submission of travel and business expense reports (TBE). Also, two employees failed to submit the required justification memos with their TBE reports for meals and use of a personal vehicle, as required by Metro policy.

The other issues we found were as follows: (a) Metro was overbilled in one invoice; (b) no written pre-approval prior to card purchase; (c) costly meals at a Metro event and invoice was paid after seven months; and (d) incorrect recording of transactions.

The staff non-compliance with the policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

## **RECOMMENDATIONS**

We recommend the following:

### **Communications (Marketing)**

1. Review the invoices thoroughly and verify the charges are accurate according to the contract.

### **Program Management (Program Control)**

2. The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

### **Communications (Public Relations)**

3. Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
4. Consider adopting standard rates for meals to be served during the events.
5. Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

### **Operations Engineering**

6. Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
7. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.
8. Require staff to submit Travel and Business Expense Reports in a timely manner.

### **Program Management (Alternative Delivery Construction Management)**

9. Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

**Corporate Safety**

10. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
11. Consider reimbursement to Metro for the overpayment of meals and lodging expenses to the employee.
12. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
13. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
14. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
15. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

**Program Management (Construction/Engineering)**

16. Require staff to submit TBE Reports in a timely manner.
17. Direct travelers to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65.

**Human Capital and Development (Workforce Services)**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.
19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.
20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging, and other expenses; also, inform them that they will be reimbursed only for what was approved.
21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
22. Require staff to submit Travel and Business Expense Reports in a timely manner.
23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65 - Metro Business Travel Guidelines.

**Human Capital and Development (Talent Development)**

24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Agency-Wide**

25. TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**FINANCIAL IMPACT**

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

**EQUITY PLATFORM**

It is OIG's opinion that there are no equity considerations or impacts resulting from this audit.

**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

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

**NEXT STEPS**

Metro management will implement corrective action plans.

**ATTACHMENTS**

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04)

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

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

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**Statutorily Mandated Audit of**  
**Miscellaneous Expenses**  
**January 1, 2023 to March 31, 2023**  
**(Revised)**

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Report No. 24-AUD-04

January 8, 2024



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**DATE:** January 8, 2024

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

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

**E-SIGNED** by Yvonne Zheng  
on 2024-01-08 07:57:36 PST

**SUBJECT:** Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses  
January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04) *Revised*

## INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2023 to March 31, 2023. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

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

1. Metro paid an overbilled invoice
2. No written approval prior to P-Card Purchase
3. Costly meals at a Metro event, and invoice was paid after seven months
4. Costly airfare due to booking close to the event date
5. No justification memo for the use of personal vehicle
6. Claiming full per diem rate when meals were included in the conference
7. Metro paid for lodging expenses in excess of the allowable rate without a justification memo
8. Late submission of travel and business expense report
9. Incorrect recording of transactions



# Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2023 to March 31, 2023

Office of the Inspector General

Report No. 24-AUD-04

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## OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

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

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Corporate Safety, Grants Management and Oversight, Marketing, Operations, Program Management, Public Relations, Talent Development and Workforce Services; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2023 to March 31, 2023. For this period, miscellaneous expenses totaled \$2,395,157<sup>1</sup> with 623 transactions. We selected 54 expense transactions totaling \$1,134,346 for detail testing. Thirty (30) of the expense transactions were randomly selected, five (5) were selected due to their large dollar amounts, and nineteen (19) were selected to add more samples for business travel 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.

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

# Statutorily Mandated Audit of Miscellaneous Expenses

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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. Metro Paid an Overbilled Invoice

In January 2023, the Metro vendor Civilian billed Metro \$10,112.02 for its services in December 2022 for the FY23 GoPass Media Plan. However, our review revealed overbilling by Civilian who used the incorrect labor rate of \$127.25 per hour instead of \$123.60 per hour for one of its staff, resulting to overbilling of \$68.44.

We brought this to the attention of Marketing staff who reached out to Civilian. The vendor's Project Manager explained, "*I had just taken over billing at this time and it looks like I applied the incorrect rate.*" She added that she had issued a credit towards the current FY24 GoPass Full Plan.

Invoices should be reviewed and verified to ensure they are accurate and Metro is not overcharged.

### Recommendation:

#### Marketing

- Review the invoices thoroughly and verify the charges are accurate according to the contract.

### 2. No Written Pre-Approval Prior to P-Card Purchase

The P-Cardholder of Program Control paid Project Control Academy \$1,794 for online training on Power BI Visual Data Analytics and Forensic Schedule Delay Analysis. However, the payment was made on 11/22/2022 before obtaining the required written approval on 1/11/2023.

The P-Card policy requires that "*The Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc.*"

The P-Cardholder explained that he received a request to pay the training from the head of Program Control. He stated that there was a Thanksgiving special and they needed to pay for it immediately to avail of the \$900 discount. He added, "*When the expense appeared in my bank statement, I noticed I didn't have a written approval so I asked for it later. I'm aware that I need to get approval before making a purchase, but unfortunately missed to attain one for that purchase beforehand.*"

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It is important to obtain a written pre-approval to ensure that all P-Card purchases are authorized and valid. A verbal directive should immediately be followed by a written approval.

**Recommendation:**

Program Control

- The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

**3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months**

On October 7, 2022, Metro and its community partners collaborated on the K Line opening event. Meals were provided for the volunteers and guests by Delicious Southern Cuisine on that day and on the following two days.

Prior to the opening event, Metro had a K Line event with the City Partners and 3<sup>rd</sup> Party Collaborators VIP on June 22, 2022. Meals were provided by the same vendor. However, we noted the following issues:

- The invoice was paid in January 2023, seven months after the event. In comparison, the invoices dated October 2022 were all paid on time.
- The cost of meal/dinner on June 22, 2022 was \$28.50 per head, which was much higher than the dinner served in October 2022 (\$19.00 per head)

For more details, see table below:

Date of Invoice	Invoice No.	Amount	Date Paid	Breakfast	Lunch	Dinner	Others	Service Charge	Sales Tax
6/22/2022	01/09/2023	6222022	4,727.83	01/20/2023	-	-	120 Pax @ \$28.50	25 1/2 Sandwiches @ \$10.00	\$ 700.00 \$ 357.83
10/7/2022	10/26/2022	10722	7,050.00	11/04/2022	115 Pax @ \$11.00	300 Pax @ \$12.00	115 Pax @ \$19.00	-	\$ - Included
10/8/2022	10/18/2022	10822	1,950.00	10/26/2022	65 Pax @ \$11.00	-	65 Pax @ \$19.00	-	- Included
10/9/2022	10/19/2022	10922	1,950.00	10/26/2022	65 Pax @ \$11.00	-	65 Pax @ \$19.00	-	- Included

The Public Relations staff stated that “*the cost of the meals was more per head because of what was served, salmon was the main course and it was dinner for VIP City Partners and 3rd Party Collaborators as well as Metro Executives.*”

We inquired if their department follows a standard cost for meals and the Assistant Public Communications Officer stated that he does not recall if there is one, and that the cost of meals depends on various factors such as the size of the event and the participants.

We also asked if there was a price quote received from the vendor prior to the event to validate the amount billed (i.e., to ensure that what was paid for was what was agreed upon); however, the employee stated that he was not involved in the solicitation of business. In addition, the official who approved the invoice is no longer with Metro. We contacted the vendor who stated by email that there was no quote given to Metro; but rather an invoice was given prior to the event.

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The Deputy Chief Customer Experience Officer who was recently hired in September 2023 stated that the invoice “*may have gotten “stuck” in [xxx’s] approval queue after her departure. We had several issues with invoices as well as staff timesheets approval once [xxx] departed the agency due to the computer systems not being updated in a timely manner.*”

The Department should monitor the expenses they incur during Metro events and ensure prompt payment. It will also help if there is more than one person who is responsible for an event or activity to avoid confusion if somebody leaves the agency.

### Recommendations:

#### Public Relations

- Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
- Consider adopting standard rates for meals to be served during the events.
- Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

#### **4. Costly Airfare Due to Booking Close to the Event Date**

The Executive Officer of Operations Engineering attended the APTA Conference in Seattle, Washington from October 9 to 12, 2022. He submitted his Travel and Business Expense (TBE) Report for \$3,221.74 with reimbursable expenses of \$1,416.16.

We noted that the flight was booked very close to the date of the event resulting in costly airfare. Based on the Travel Request/Authorization, the employee requested to attend the APTA Conference on 9/28/2022 which was approved by the Department Head and Chief on 10/04/2022 – five days before the event on 10/09/2022. His flight was booked in the Travel system on 10/06/2023 – three days before his flight. This resulted in costly airfare of \$705.58, which was almost triple the amount compared with the flight booked at least 30 days in advance. One employee who attended the same conference submitted the Travel Request/Authorization Form on 8/30/2022 and the airfare was only \$237.

In August 2023, FIN 14 was updated and was split into two separate policies: Non-Travel Business Expenses - FIN 14, owned by Finance; and Gen 65 - Metro Business Travel Guidelines, owned by Human Capital and Development, Travel Department.

Since the transactions we audited occurred before FIN 14 was updated or effective, we made the recommendations to address the above issues based on FIN 14 before the August 2023 update and effective for the period we reviewed.

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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.*”

The employee explained that the “*Travel office rejected his travel request on 10/04 due to missing the CEO signature.*”

The APTA conference is held annually and the Department Heads should plan early each year to avoid costly travel expenses when business travel is booked close to the event. The Travel Authorization Forms should be submitted and travel arrangements should be made as early as possible to obtain favorable and reasonable travel rates.

**Recommendations:**

Operations Engineering

- Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
- Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

**5. No Justification Memo for the Use of Personal Vehicle**

The Deputy Chief Program Management Officer attended the 2023 Western Winter Workshop in Pebble Beach, California from February 9 – 12, 2023. He submitted his TBE Report for \$3,007.87 with reimbursable expenses of \$2,007.87. We noted that the employee used his personal vehicle; however, no justification memo was submitted, as required in the policy.

Section 1.1.3 of FIN 14 states ... “*Use of a personal vehicle for travel must be requested in a separate justification memo.*”

Section 1.1.13 of FIN 14 states, “*LACMTA reserves the right to pay the lower of either mileage reimbursement or a common carrier such as Amtrak, Metrolink, or commercial airline. Travelers must submit a separate justification memo when requesting the use of their personal vehicle for non-local travel.*” Section 1.3.1 also states, “*Travelers must justify that other forms of transportation were not available.*”

We asked the employee if a justification memo was prepared and submitted and he explained, “*The travel was to Monterey, and the airfare was extremely expensive. Driving my personal vehicle was by far the most economical means to go to Monterey in the absence of a major airport. (The Travel Program Administrator] can confirm the exorbitant prices for airfare would have been far more expensive than driving my car. Further, there is no other way to get there via train or public transit*”.

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Section 1.1.13 of FIN 14 states, “*The Travel Program Administrator shall establish the amount of equivalent common carrier fare (air or rail) to be used as the limitation of reimbursable expenses when an employee requests to use a personal vehicle for travel. The Travel Program Administrator shall indicate these limitations on the TA form.*” However, while the TPA made inquiries as to the mode of transportation the traveler will use, we did not find any documentation such as the comparative cost of the plane fare or rail.

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

Although the policy was not strictly followed due to the absence of a justification memo, we acknowledge the efforts of the employees from Program Management and Workforce Services for selecting the lowest cost alternative for travel to the conference.

## **Recommendations:**

### Program Management (Alternative Delivery Construction Management)

- Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

### Workforce Services

- Ensure completeness of supporting documents including any justification memo, as required in the policy.

## **6. Claiming Full Per Diem Rate When Meals Were Included in the Conference**

The Senior Executive Officer of Risk, Safety, & Asset Management attended the APTA Mid-Year Safety Seminar in Phoenix, Arizona from December 4 to 7, 2022. He submitted his TBE Report on December 23, 2022 and it was approved on January 8, 2023 with total expenses of \$1,791.89 and reimbursable amount of \$1,084.38.

We noted that he claimed the full per diem rate on the TBE Report even when breakfast was provided in the conference, resulting in an overpayment of \$48.00. The employee explained that he “*did not eat breakfast at the seminar.*”

Section 1.2.3.2 of FIN 14 states, “*If the traveler is claiming the full per diem rate on the TBE Report when meals were included in the conference registration fees, the traveler shall prepare a justification memo and obtain Executive Officer approval.*”



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**Recommendations:**

Corporate Safety

- Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
  
- Consider reimbursement to Metro for the overpayment of meal expenses.

Workforce Services

- Review the TBE Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.

**7. Metro Paid for Lodging Expenses in Excess of the Allowable Rate Without a Justification Memo**

Our audit found that the Senior Executive Officer of Risk, Safety, & Asset Management referenced in item 7 above also did not submit a justification memo for lodging in excess of the allowable rate.

Based on the Travel Authorization (TA) Form submitted, the Travel office approved lodging for \$453 which was the allowable rate based on the U.S. General Services Administration per diem rate. The traveler booked lodging outside of the travel system and exceeded his approved expense for lodging at \$775. The traveler stated that he indicated the estimated amount of \$775 for lodging on the TA Form when he submitted it for approval; he did not know how it got changed to \$453.

The Manager of General Services explained the process to us: *“When a TA is submitted, an employee enters estimates to be considered for approval by their management. When that TA reaches the travel queue after having gone through workflow approval hierarchy, those values are subject to change. Once an employee coordinates their travel itineraries for airfare/lodging, or other items as requested, we attach those itineraries to the system. However, prior to attaching the confirmations, we must enter values in the “approved and/or actual costs” for each item. In this case, the TA for approved cost was based on the 3 nights at per diem of \$151/night. This is why the values changed when it got to the final approved TA.”* As a result, \$453 was approved, and not \$775.

The TA was approved by the Department Head and Chief on November 2, 2022 – one month before the travel date. The traveler should have reviewed the approved TA prior to booking and either book lodging at that rate or request additional money with a justification memo prior to travel, or absorb the additional lodging cost themselves. Regardless of what the employee submitted, the additional cost for lodging was not approved.

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

### Recommendations:

#### Corporate Safety

- Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
- Consider reimbursement to Metro for the overpayment of lodging expenses.

#### Workforce Services

- Notify travelers if their approved travel expense/Travel Authorization changes and is different than what the travelers submitted, so they may adjust their travel arrangements to authorized and approved travel costs for transportation, lodging, and other expenses. Also, inform them that they will be reimbursed only for what was approved.
- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

### 8. Late Submission of Travel and Business Expense Report

- a. The Senior Director of Program Management attended the APTA Transform Conference & Expo in Seattle, Washington from October 9 to 12, 2022. She submitted her Travel and Business Expense (TBE) Report with a reimbursable amount of \$486.95 on 12/22/2022, more than one month later. It was approved by the Department Head and Chief on 12/23/2022 and by the Chief Executive Officer on 1/17/2023.

The employee explained, “*Submittal of the TBE was overlooked due to demands on the Westside Purple Line Extension Section 3 project. Especially during the latter part of last year, there were many design submittals for review/resolution/approval and contract change negotiations on top of meetings and managing consultants.*”

- b. The Executive Officer of Operations Engineering referenced in item 4 above initially submitted his TBE Report on 11/09/2022, but the report was finalized on 2/13/2023 – three months later. FIN 14 policy requires that the “*TBE Report must be completed, approved*



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*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, “*Reimbursement was late due to issue of missing hotel receipts.*” 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.*”

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:**

#### Program Management (Construction Engineering) and Operations Engineering

- Require staff to submit TBE Reports in a timely manner.
- Direct travelers to read, review and comply with all the provisions of Metro’s FIN 14 policy, now updated as GEN 65.

### **9. Incorrect Recording of Transactions**

We reviewed the Purchase Card (P-Card) statement of Safety (Cost Center 6810) for December 2022 and noted that payments for professional certification were erroneously recorded to account # 50912 – Employee Professional Membership, instead of account # 50999 – Miscellaneous Expenses – Others.

The P-Cardholder paid the renewal fees for certification of four employees at Corporate Safety for a total amount of \$760. The payments were supported by Professional Membership forms which were approved by the Department Head and Talent Development. The justification on the form indicated that the fee was “*for professional certification, not a professional membership.*” However, the Professional Membership form is not required for professional certification; it is only required for professional membership. This is a common misunderstanding because many organizations require membership for certification and may even combine the payments for both into one charge.

The P-Cardholder explained that she just followed the instructions of the former Director of Construction Safety.

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### Recommendations:

#### Corporate Safety

- The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
- The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

#### Talent Development:

- Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

## OBSERVATIONS

#### Ground Transportation Claimed Twice

The Senior Manager of Mobility Corridors Team attended the Transit Research Board Conference in Washington, D.C. from January 8 to 12, 2023. He submitted his Travel and Business Expense (TBE) Report for \$3,019.96 with reimbursable expenses of \$1,578.48.

We noted that he was reimbursed \$11.70 for his Lyft ride from Union Station to his residence on January 12, 2023. (He took the Fly Away from LAX to Union Station.) However, he also claimed \$11.79 for mileage on the same day.

The employee explained that he inadvertently entered the mileage on January 12, 2023 on his TBE Report and acknowledged this error. He reimbursed Metro \$11.79 on October 17, 2023 for this overpayment.

While we acknowledge the employee's efforts to save on his travel expenses by taking the Fly Away and the amount involved is minimal, it is important to review the TBE Report and the supporting documents to ensure accuracy of the expenses incurred by the travelers.

#### Return of Unused Grant Funds

We also noted that Metro returned unused grant funds of \$751,338.81 to the California Office of Emergency Services (CalOES). This was charged to Miscellaneous Expenses – Others (account # 50999).

Based on the documents we obtained, this amount was the balance of unused Prop 1B Security Grant Awards. In his memo dated March 15, 2023, the Manager of Transportation Planning stated, "*Between 2007 and 2017, Metro was awarded funds from the California Transit Security Grant*

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*Program – California Transit Assistance Fund under the Prop IB program to fund multiple Metro Security Projects. The period of performance to spend these funds expired on March 31, 2022, with a close out period that ended June 30, 2022.*” The total grant award was \$157,809,784 with a remaining balance of \$751,338.81.

The Manager of Transportation Planning provided us with a copy of the report issued by Metro’s Management Audit Services (Special Review of the Metro Center Project, Report No. 23-CON-P01 dated February 28, 2023). The review was conducted at the request of the Office of the Chief Executive Officer. According to the report, the unused fund was caused by various factors such as a delay in “*formal project management which started three years late in 2014 and did not appear to follow the critical path until the 4 1/2 year mark. Over two years was lost to apparent inactivity.*” There was also a delay in preliminary engineering, design/build procurement and there were construction schedule challenges including contractor’s design delays, pandemic-related supply chain issues and labor shortages. Management Audit Services provided 14 recommendations which were aimed to improve efficiency in project management practices and communication among various Metro department related to grant funding matters.

It is important that Metro maximize any grant funds it received and use it for the designated security projects. As stated in Metro’s Vision 2028 Goal 5.2, “Metro will exercise good public policy judgment and sound fiscal stewardship.” monitor the implementation of the agreed upon recommendations provided by Management Audit Services in their report 23-CON-P01.

## **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 Q3) versus Prior Quarter (FY23 Q2) Miscellaneous Expenses**

Miscellaneous expenses this quarter posted a minimal decrease of \$165K or 6% compared to the prior quarter. The increase in other expenses (account # 50999) of \$794K was offset by the combined decrease in advertising, business meals, and corporate membership, among others.

**Statutorily Mandated Audit of Miscellaneous Expenses  
January 1, 2023 to March 31, 2023**

Office of the Inspector General

Report No. 24-AUD-04

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

Account	Jan-Mar 2023	Oct-Dec 2022	Increase (Decrease)
Advertising	\$ 766,359	\$ 1,356,575	\$ (590,216)
Business Meals	65,915	248,725	(182,810)
Business Travel	51,163	133,170	(82,007)
Corporate Membership	152,273	263,764	(111,491)
Employee Relocation	0	74,258	(74,258)
Professional Membership	18,381	11,975	6,406
Seminar and Conference Fee	124,062	65,873	58,189
Miscellaneous (50999) *	1,188,434	394,017	794,417
Others (Mileage and Parking, etc.)	28,570	11,779	16,791
<b>Total</b>	<b>\$ 2,395,157</b>	<b>\$ 2,560,136</b>	<b>\$ (164,979)</b>
<b>Decrease</b>			<b>-6%</b>

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

**b. Reviewed Quarter (FY23 Q3) versus Same Quarter of Prior Year (FY22 Q3)  
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter significantly increased by \$1.6 million or 215% as compared to the same quarter of FY 22. This was mainly due to the increase of almost \$600K in advertising and \$931K in other miscellaneous expenses (account # 50999).

Advertising for the quarter January to March 2023 was \$766K compared with only \$172,588 for the same quarter of 2022. This was because the bulk of advertising expense last year (\$3 million) was recorded in the last quarter of Fiscal Year 2022.

Account # 50999 significantly increased from \$257K to \$1.2 million mainly because of \$751K unused grant fund returned by Metro to California Office of Emergency Services. See Table 2.

**Statutorily Mandated Audit of Miscellaneous Expenses  
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**Table 2: Reviewed the Quarter versus Same Quarter of Prior Year**

Account	Jan-Mar 2023	Jan-Mar 2022	Increase (Decrease)
Advertising	\$ 766,359	\$ 172,558	\$ 593,801
Business Meals	65,915	18,883	47,032
Business Travel	51,163	22,014	29,149
Corporate Membership	152,273	192,334	(40,061)
Employee Relocation	0	0	0
Professional Membership	18,381	12,483	5,898
Seminar and Conference Fee	124,062	64,788	59,274
Miscellaneous (50999) *	1,188,434	256,790	931,644
Others (Mileage and Parking, etc.)	28,570	19,538	9,032
<b>Total</b>	<b>\$ 2,395,157</b>	<b>\$ 759,388</b>	<b>\$ 1,635,769</b>
<b>Increase Over Same Quarter of Prior Year</b>			<b>215%</b>

**c. April 2022 to March 2023 versus April 2021 to March 2022**

Miscellaneous expenses of \$10.2 million for the period April 2022 to March 2023 increased by \$4.1 million or 67% as compared with \$6.1 million for the period April 2021 to March 2022. All expense accounts increased, except for Corporate Membership. See Figure 1.

**Figure 1: Miscellaneous Expenses per Quarter  
April 2022 to March 2023 versus April 2021 to March 2022**





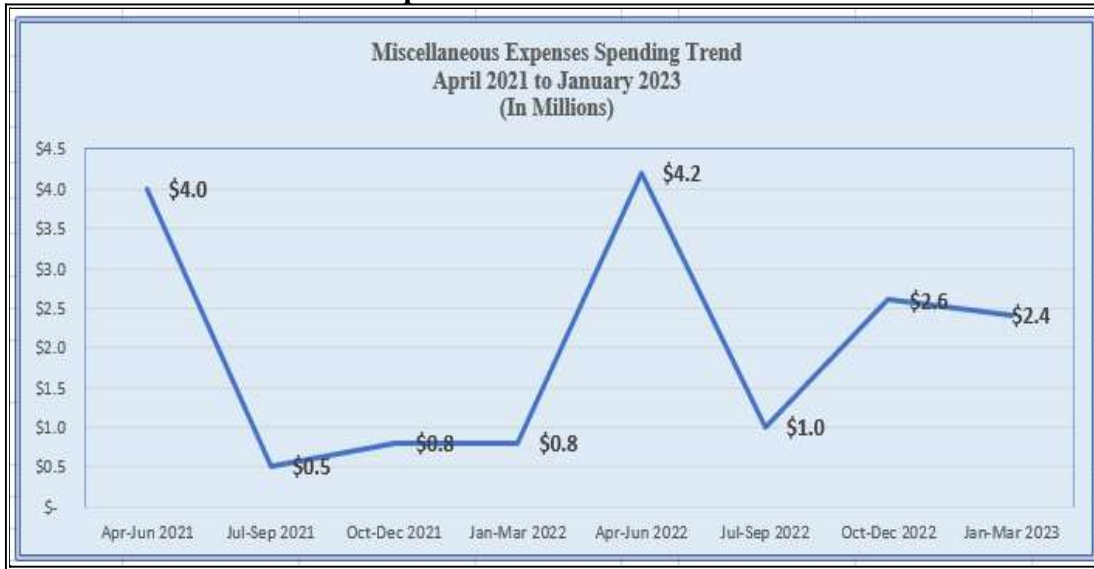
**Statutorily Mandated Audit of Miscellaneous Expenses  
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Figure 2 shows the spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend  
April 2021 to March 2023**



As shown in the above chart, miscellaneous expenses were highest during the last quarter of each fiscal year. This was due to accrual of expenses, mainly advertising, in June of each fiscal year. For the quarters ended June 30, 2021 and 2022, advertising expense amounted to \$3.2 million and \$3 million, respectively, which were 80% and 71% of the total miscellaneous expenses for the reviewed quarters.

Miscellaneous expenses every quarter were higher during the last four quarters (April 2022 to March 2023) than the miscellaneous expenses for the previous four quarters (April 2021 to March 2022), as shown in Figure 2, indicating Metro operations are starting to go back to pre-pandemic level.

## CONCLUSION

The miscellaneous expenses we reviewed for the quarter of January 1 to March 31, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues that were mostly related to business travels of Metro employees such as costly airfare due to travel arrangements made close to the event date, absence of a justification memo for lodging in excess of the allowable rate, and late submission of travel and business expense report. Also, two employees failed to submit the required justification memos with their TBE reports for meals and use of a personal vehicle, as required by Metro policy.

The other issues we found were as follows: (a) Metro was overbilled in one invoice; (b) no written pre-approval prior to card purchase; (c) costly meals at a Metro event and invoice was paid after seven months; and (d) incorrect recording of transactions.

# Statutorily Mandated Audit of Miscellaneous Expenses

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The staff non-compliance with the policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

## RECOMMENDATIONS

We recommend the following:

### **Communications (Marketing)**

1. Review the invoices thoroughly and verify the charges are accurate according to the contract.

### **Program Management (Program Control)**

2. The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

### **Communications (Public Relations)**

3. Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
4. Consider adopting standard rates for meals to be served during the events.
5. Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

### **Operations Engineering**

6. Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
7. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.
8. Require staff to submit Travel and Business Expense Reports in a timely manner.

### **Program Management (Alternative Delivery Construction Management)**

9. Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

## Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2023 to March 31, 2023

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### **Corporate Safety**

10. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
11. Consider reimbursement to Metro for the overpayment of meals and lodging expenses to the employee.
12. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
13. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
14. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
15. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

### **Program Management (Construction/Engineering)**

16. Require staff to submit TBE Reports in a timely manner.
17. Direct travelers to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65.

### **Human Capital and Development (Workforce Services)**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.
19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.
20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging, and other expenses; also, inform them that they will be reimbursed only for what was approved.
21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.



**Statutorily Mandated Audit of Miscellaneous Expenses  
January 1, 2023 to March 31, 2023**

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- 22. Require staff to submit Travel and Business Expense Reports in a timely manner.
- 23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65 – Metro Business Travel Guidelines.

**Human Capital and Development (Talent Development)**

- 24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Agency-Wide**

- 25. TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On November 17, 2023, we provided Metro Management our draft report. On December 5, 2023, Metro Management submitted their responses summarizing their corrective actions. On January 5, 2024, we received revised responses from four departments. See Attachment B.

**OIG EVALUATION OF MANAGEMENT RESPONSE**

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

**Summary of Sampled Expenses Audited  
January 1, 2023 to March 31, 2023**

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 24,607	\$16,187
50903	Business Meals	65,915	14,290
50905	Corporate Membership	152,273	60,288
50908	Employee Relocation <sup>2</sup>	0	0
50910	Mileage and Parking	3,963	459
50912	Professional Membership	18,381	4,685
50914	Schedule Checkers Travel <sup>2</sup>	0	0
50915	Seminar and Conference Fee	124,062	3,430
50917	Business Travel	51,163	15,405
50918	Advertising	766,359	215,836
50930	Employee Activities & Recreation <sup>2</sup>	0	0
50999	Other Miscellaneous Expenses	<u>1,188,434</u>	<u>803,766</u>
	<i>Total</i>	<u><b>\$2,395,157</b></u> <sup>3</sup>	<u><b>\$1,134,346</b></u>

<sup>2</sup> No expenses incurred for this quarter.

<sup>3</sup> 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

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**Metro**

### Interoffice Memo

<b>Date</b>	January 4, 2024
<b>To</b>	Yvonne Zheng, Sr. Manager, Audit Office of Inspector General
<b>From</b>	Jennifer Vides, Chief Customer Experience Officer 
<b>Subject</b>	Audit Memo – Metro Miscellaneous Expenses January 01, - March 31, 2023

The Customer Experience department has received and reviewed the audit findings and recommendations regarding item 1: “Metro Paid an Overbilled Invoice.” and Item 3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months”. We followed up with staff to discuss the findings that have put together our response below for your review.

#### **Item 1: Metro Paid an Overbilled Invoice**

The project manager from our media agency Civilian did not do a thorough review of the December 2022 invoice for the FY23 GoPass Media Plan, which totaled \$10,112.02, before submitting it to Metro AP. The Civilian project manager used the incorrect labor rate of \$127.25 per hour instead of \$123.60 per hour for one of its staff, resulting in overbilling of \$68.44. As stated in the report, the Civilian project manager had recently assumed responsibility for billing and mistakenly applied the incorrect rate and Metro Marketing missed the discrepancy in its review of the invoice. Once the problem was discovered, Civilian issued a credit toward the current FY24 GoPass plan.

We concur with the report’s recommendation. Immediately following the inquiry from Audit about this invoice on Monday October 16, 2023, Marketing instituted the following safeguards to ensure staff reviews invoices thoroughly and verifies the charges are accurate according to the contract. These steps included:

- Staff refined the process in Asana (project management tool/software used by marketing) to track and review invoices. When Civilian uploads the invoices in Asana, the Marketing manager and partner lead (department paying for the ads) are tasked with reviewing and double-checking the bills for both accuracy and compliance with the contract. Only once the invoice is thoroughly reviewed and approved does Civilian submit the invoices to AP for payment processing.
- Metro Marketing conducts a quarterly invoice review with Civilian to assess alignment with the proposed annual budget and tracking allocated expenditure.
- Metro Marketing also created a departmental status report on current and incoming invoices in

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## Management Comments to Draft Report

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addition to the existing encumbrance report.

### **Item 3: Item 3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months**

On October 7, 2023, Metro Public Relations collaborated with community partners for the K Line opening event. Meals were provided for volunteers and guests by Delicious Southern Cuisine on that day and on the following two days.

Prior to that date, on June 22, 2022, Metro hosted a VIP K Line event with City Partners and 3<sup>rd</sup> party collaborators where the same vendor, Delicious Southern Cuisine, also provided the meals. The June invoice was not paid until January 2023, seven months after the event. In addition, the audit found that the cost of a meal/dinner on June 22, 2022, was \$28.50 per person which was higher than the dinner served in October 2022 at \$19 per person.

When contacted about the invoice, the public relations staff stated that *“the cost of the meals was more per head because of what was served, salmon was the main course, and it was dinner for VIP City Partners and 3<sup>rd</sup> Party Collaborators as well as Metro executives.”*

During the audit process, it was discovered that there is no Standard Operating Procedure for the costs of meals at events. In addition, due to the departure of the department head during the time when the audit was conducted, the audit team contacted the assistant public communications officer who worked with her, who stated that he was not involved in the solicitation of the meals. When the Metro Audit team reached out to the vendor directly to learn more about the process, the vendor stated in email that there was no quote provided to Metro, but rather an invoice was submitted prior to the event.

When Deputy Chief, Customer Experience, who was hired in September 2023, was contacted about the invoice, she stated that the invoice *“may have gotten stuck in (former EO, Communications) approval queue after her departure as we had several issues with invoices as well as staff timesheets after (former EO of Communications) departure due to the computer systems not being updated in a timely manner.”*

We concur with the report’s recommendations.

Following the K Line events, and as the late invoices were discovered following the departure of the previous Executive Officer, the Deputy Chief of Customer Experience began investigating the issue, which included reaching out to event vendors to identify any other missing and unpaid invoices, and getting them paid. Through that process, in the Spring of 2023, the team set up new processes to ensure more effective tracking of invoices.

- Required that all invoices for each event were submitted within two weeks after the event takes place and conducted aggressive follow-up to ensure timeliness.
- For each event, PR creates a tracking document of all event vendors to ensure the team is effectively tracking invoicing from all vendors – both small and large
- Monthly and quarterly reviews of all PR expenses began effective January 1, 2024.



## Management Comments to Draft Report

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Specific to the cost of meals served at Metro events:


- Develop an SOP for meals served at Metro events. This SOP will be finalized by January 12, 2024. It will include:
  - Guidelines for obtaining cabinet-level chief officer or designee approval on including food/beverage at events
  - Requirement to obtain written approval from cabinet-level office or designee on written vendor quote
  - Setting a standard of using GSA per diem rates as the standards for cost per person for any events with food/beverage
  - Require written approval by the Office of the CEO of any food/beverage estimates that are projected to exceed the GSA per diem guidelines
  - Requiring minimum of three bids for food/beverage to ensure that Metro obtains the most reasonable rates.
  - Requirement of project/event lead to update the cabinet-level chief officer of any guest count changes that will impact the projected budget

Management Comments to Draft Report



**Metro**

Interoffice Memo

Date	January 4, 2024
To	Yvonne Zheng Sr Manager, Audit
From	Darcy Buryniuk Chief Program Mgmt Officer  Buryniuk
Subject	Response to OIG Audit No. 24-AUD-04

Digitally signed by Darcy Buryniuk  
Date: 2024.01.04  
17:18:25 -0800

The Office of Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from January 1, 2023 – March 31, 2023. Although OIG found that the sampled transactions generally complied with Metro policies, several issues were identified. Therefore, the actions below will be taken by Program Management to comply with the audit recommendations.

Recommendation #2: The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved and remind the P-Cardholder about the policy.

Management Response: A memo will be issued by the Chief Program Management Officer reminding P-Card holders that all P-Card purchases require pre-approval by the Approving Official and Business Coordinator and will remind P-Cardholders to review the P-Card policies.

Completion Date: January 6, 2024

Recommendation #9: Remind travelers to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

Management Response: A memo was issued by the Chief Program Management Officer reminding staff to submit a justification memo prior to travel when requesting the use of a personal vehicle.

Completion Date: November 30, 2023

Recommendation #16: Require staff to submit Travel and Business Expense (TBE) Reports in a timely manner.

Management Response: A memo was issued by the Chief Program Management Officer reminding staff to submit Travel and Business Expense Reports timely.

Completion Date: November 30, 2023

Recommendation #17: Direct travelers to read, review, and comply with all the provisions of Metro’s FIN 14 policy, now updated as GEN 65.

**Management Comments to Draft Report**

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Management Response: A memo was issued by the Chief Program Management Officer reminding staff to comply with the provisions of Metro's GEN 65 policy. In addition, Program Management Executive Office in collaboration with Metro's Travel Office provided Travel and Business Expense Training sessions on FIN 14/GEN 65 on September 29 and October 17, 2023.

Completion Date: November 30, 2023

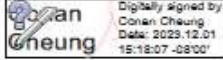
Please contact me at x22250 if you would like to discuss or require additional information.

## Management Comments to Draft Report



Metro

## Interoffice Memo

Date	December 1, 2023	
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)	
From	Conan Cheung Chief Operations Officer	
Subject	24-AUD-04 Management Response to Audit of Metro Misc. Expenses January 2023 – March 2023	

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from January 1, 2023 – March 31, 2023. Although OIG found that the sampled transactions generally complied with Metro policies, several issues were identified. Therefore, the actions below will be taken by Operations to comply with the audit recommendations:

**Recommendation #6:** Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.

**Management Response:** Department managers will check employee travel submittals and obtain approval within 5 business days. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #7:** Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

**Management Response:** Department managers will issue a memo to employees to ensure that all travel plans are submitted 30 days in advance per Travel Policy Section 1.1.7 of FIN 14. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #8:** Require staff to submit Travel and Business Expense Reports in a timely manner.

**Management Response:** Department managers will issue a memo to employees to ensure that all travel expenses are submitted within 30 days of their return-to-work date. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the



Management Comments to Draft Report

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future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #25:** TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**Management Response:** Department managers will issue a memo for P-Card approval to monitor activities on the P-Card before submitting proper documentation to the business unit's Chief for approval. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024


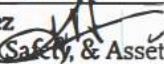
CC: Conan Cheung  
Errol Taylor  
Diane Corral-Lopez  
Chris Reyes  
Kelvin Zan

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

Date	November 30, 2023
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Gina Osborn Chief Safety Officer 
From	Kenneth Hernandez Deputy Chief Risk, Safety, & Asset Management Officer 
Subject	Revised Statutorily Mandated Audit of Miscellaneous Expenses January 1, 2023, to March 31, 2023 (Report No. 24-AUD-04)

This memo responds to the recommendations for sections 6, 7, and 9 in the subject report as they relate to the Risk, Safety, and Asset Management (RSAM) Department.

#### Section 6: Claiming Full Per Diem Rate when Meals were included in the Conference

##### Recommendations:

1. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.

##### *Response*

- The RSAM Department agrees with this recommendation. As recommended, for all future travel, a memo will be included as part of the Travel and Business Expense Report (TBE) in compliance with Section 1.2.3.2 of FIN 14, if the traveler is claiming full per diem rate when meals are included in the conference.
2. Consider reimbursement to Metro for the overpayment of meal expenses.

##### *Response*

- Employee will reimburse Metro a total of \$48.00 for the overpayment of meal expenses by January 19, 2024.

#### Section 7: Metro Paid for Lodging Expenses in Excess of the Allowable Rate without a Justification Memo

##### Recommendations:

1. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.

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**Management Comments to Draft Report**

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*Response*

- The RSAM Department agrees with this recommendation. The approval for lodging rates that exceed the allowable rates will be included in the justification memo that is submitted as part of the Travel Authorization for all future travel.
2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

*Response*

- The RSAM Department agrees with this recommendation. The Deputy Chief of Risk, Safety and Asset Management has implemented an internal review process before TBE reports are submitted for approval to ensure compliance with FIN 14.
3. Consider reimbursement to Metro for the overpayment of lodging expenses.

*Response*

- Employee will reimburse Metro a total of \$322.00 for the overpayment of lodging expenses by January 19, 2024.

**Section 9: Incorrect Recording of Transactions****Recommendations:**

1. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.

*Response*

- The RSAM Department agrees with this recommendation. The P-Cardholder and the Approving Official will ensure that transactions are recorded to the correct accounts going forward.
2. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

*Response*


- The RSAM Department agrees with this recommendation. The P-Cardholder understands that the Professional Membership form is not required for professional certification and will therefore not require it going forward.

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

Date	January 4, 2024
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 January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04)

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**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo, that all supporting documents are included with a travel request prior to final approval.

Completion date: February 1, 2024

19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo, that when TBE reports are reviewed, expense reports are accurate, and documents are complete.

Completion date: February 1, 2024

20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging,



## Management Comments to Draft Report



## Metro Interoffice Memo

and other expenses; also, inform them that they will be reimbursed only for what was approved.

**Response:** Staff will investigate this further. The current system does not allow for automatic notifications as travel approvals for lodging are based on GSA per diems and approved cost is based on that nightly rate. Any rate above is considered an exception. A Travel Request may reflect estimated numbers based on reservations secured or pending to be booked by the traveler, even if it exceeds per diem. Lodging value reflects GSA per diem rate for destination. Any amount above that is considered exception and thus requires additional approval supported by "over lodging per diem exception approval". Airfare and train tickets reflect actual cost prepaid. Although train may remain slightly more consistent, airfare prices fluctuate throughout the day and thus will vary from the initial estimated amount at time of submittal, to ticketed flight. If receipts for lodging vary by more than ten percent of the approved rate regardless of per diem, staff will require employees to cover the difference.

An upgrade to the travel management system is scheduled to Go-Live on July 1, 2024, and staff will investigate features available that may provide notifications to travelers and update this response.

Completion date: July 1, 2024

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

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo. that when TBE reports are reviewed by the Travel Office approvers, expense reports are accurate, and documents are complete. For approvers identified in the expense report hierarchy by the traveler, the Travel Office offers monthly trainings for all Metro employees to familiarize them with the Metro travel system, the online booking system (Concur) process, and the policy overview. Staff will work collaboratively with the Operations Department to include their "Dos and Don'ts Memo" referenced in their response are incorporated into the training. The Travel Office will continue to work closely with approvers as questions arise through the approval process.

Completion date: February 1, 2024

Management Comments to Draft Report

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Metro

## Interoffice Memo

22. Require staff to submit Travel and Business Expense Reports in a timely manner.

**Response:** Staff concurs with the recommendation. TBE reminders were fully implemented during the first quarter of FY23 to remind travelers to submit TBE reports according to policy. Notifications were implemented as reminders for travelers to submit an expense report within 30 days post travel, to ensure compliance with policy. Four notifications were implemented to send reminders on 1<sup>st</sup> day post travel, a 2<sup>nd</sup> reminder on day 15, 3<sup>rd</sup> reminder on day 25, with 4<sup>th</sup> and final reminder on day 31 post. Travel indicating that late reimbursements must be approved by the CEO or the CEO's designee, per policy.

Completion date: January 15, 2024

23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN-65 – Metro Business Travel Guidelines.

**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 Travel Office offers monthly trainings for all Metro employees to familiarize them with the Metro travel system, the online booking system (Concur) process, and the policy overview. In addition, the travel office works closely with travelers and/or approvers as questions arise through the travel process.

Completion date: ongoing

24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Response:** Staff concurs with the recommendation and will develop a checklist for staff, that includes Professional Membership forms are used only for professional memberships and will not be used for professional certifications.

Completion date: February 1, 2024

**Final Report Distribution**

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**Board of Directors**

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

**Metro**

Chief Executive Officer  
Chief of Staff  
Inspector General  
Chief Financial Officer  
Chief Customer Experience Officer  
Chief Operations Officer  
Chief Innovation Officer/Chief People Officer (Interim)  
Deputy Chief Planning and Development Officer  
Chief Program Management Officer  
Chief Safety Officer  
Deputy Chief Vendor/Contract Management Officer  
Deputy Chief Auditor

# **Audit of Miscellaneous Expenses January 1 to March 31, 2023**

OIG Report No. 24-AUD-04  
Karen Gorman, Inspector General

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January 17, 2024





# Objectives

The objectives of the audit were to determine whether:

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



## Results of Audit

- Staff generally complied with Metro policies and procedures; but we found nine exceptions mostly related to business travels such as :
  - Costly airfare due to travel arrangements made close to the event
  - Failure to submit justification memo for lodging in excess of the allowable rate and use of personal vehicle
  - Late submission of Travel and Business Expense Reports
- Metro paid an overbilled invoice; and
- No written pre-approval of P-Card purchase
- ❖ OIG provided **25** recommendations.





## Board Report

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**File #:** 2023-0728, **File Type:** Informational Report

**Agenda Number:** 7.

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### FINANCE, BUDGET, AND AUDIT COMMITTEE JANUARY 17, 2024

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT PROCESS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE The Fiscal Year 2025 (FY25) Budget Development Process.

#### **ISSUE**

In preparation for the FY25 Budget development process, the Office of Management and Budget (OMB) provided the Finance, Budget, and Audit Committee an oral report on October 18, 2023, focusing on the major cost growth drivers over the next five years. In addition, the Board requested additional information on the fare box recovery ratio, which is included in the report.

This report builds on the oral report surrounding the challenges ahead and sets up the context for utilizing the Equitable Zero-Based Budget (EZBB) process. This report highlights the EZBB Attainments and Efforts Underway, highlighting service optimization and Operations' successes on cost containment as well as the capital cost mitigation work by the Early Intervention Team (EIT) and Program Management teams.

An outline of the planned EZBB process and schedule follow to address the delivery of Metro's objectives in the next fiscal year, culminating in a planned May 2024 Board Adoption. During the budget development process, a comprehensive and transparent public outreach engagement will be run to maximize public input and ensure Metro's stakeholders have an active role in the process. This report lays the framework for the annual budget development, with the primary objective of proposing a balanced FY25 Budget while achieving Metro's transit and transportation goals in a fiscally sound and financially responsible manner.

#### **BACKGROUND**

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures

cannot exceed the final appropriation by the Board at the fund level except for capital expenditures, which are authorized on a life of project basis. Beginning in January 2024, staff will begin to provide a series of status updates on the FY25 Budget development process to the Metro Board's Finance, Budget, and Audit Committee.

The Near-Term Outlook projects slowing sales tax growth while the Agency's Transit Operations and Capital Improvement Program (CIP) costs anticipate significant growth. Metro faced significant financial challenges during the pandemic, but with careful cash management and one-time stimulus funding, the agency was able to balance the budget over the last three years. With the exhaustion of stimulus funding and slow growth in sales tax revenues, continuous efforts are needed to mitigate this financial risk. The higher-than-expected sales taxes in FY23 will help mitigate FY25; however, FY24 sales taxes are coming in lower than projected, indicating a slowing economy that will bring financial challenges ahead.

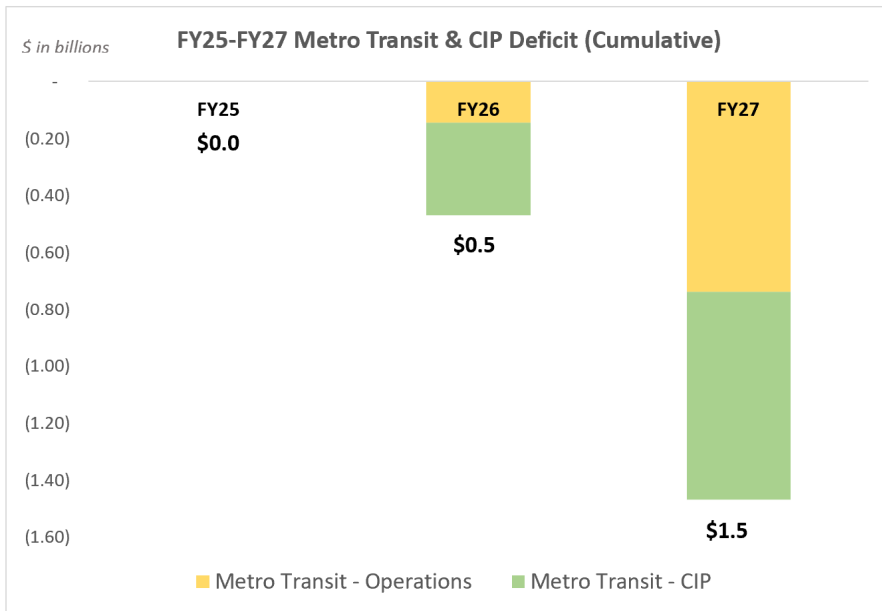
## **DISCUSSION**

### **Near-Term Outlook Update and Challenges Ahead**

Metro continues to recognize the importance of sound financial planning to successfully implement transit investments and operating plans. The EZBB cycle begins with the Near-Term Outlook, which establishes three-year assumptions based on assessing the economic environment on revenues, continuing programs in place today, evaluating the market cost escalations, meeting Board approved priorities, as well as planning for significant investments.

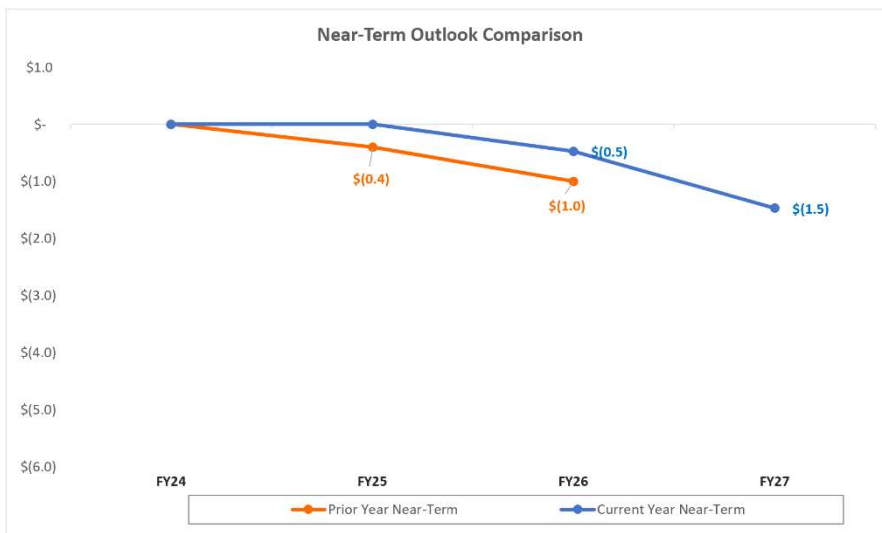
The Agency's updated Near-Term Metro Transit Operations and Capital Improvement Program (CIP) results in a financial deficit of \$1.5 billion by FY27. (Figure 1) The gap is made up of \$555 million for Metro Transit Operations due to growing transit costs driven by labor and market inflation, property, liability and insurance premiums, rail expansion and incremental costs for post-pandemic induced changes, including enhanced safety and cleanliness. The \$915 million gap in Metro Transit CIP is predominately due to the accelerated electrification efforts. In addition, Metro continues to recognize the financial risks stemming from the Transportation Infrastructure Development (TID) program faced with project cost increases due to scope and schedule changes, market bid prices and labor and supply chain constraints.

### **Figure 1**



The near-term outlook has improved from twelve months ago from \$1 billion deficit by FY26 due to: 1) higher revenues realized in FY23 than anticipated, 2) spending at a slower pace than projected primarily for deferred capital expenses, and 3) successful efforts through EZBB, instilling a culture focused on fiscal discipline and cost mitigation and revaluation of pilot programs. (Figure 2) This results in the operating deficit becoming more manageable through FY27. However, additional mitigation efforts are still needed early to avoid drastic actions later as the financial gap is anticipated to increase beyond FY27.

Figure 2



## **EZBB Attainments and Efforts Underway**

Throughout the preparation for the FY25 Budget development process, Metro's long-term sustainability continues to be a concern as resources remain scarce for the increasing needs. Although the financial challenges are manageable for the upcoming year, immediate cost control mitigations are still necessary and relevant to safeguard Metro's financial position in fulfilling its commitment to fiscal responsibility and advancement as a mobility transforming organization.

Metro looks forward to building on its current momentum by continuing to undergo a deep dive into expenses and search for optimal cost mitigation strategies through an equity lens. While trying to tighten costs, Metro has also successfully implemented many new investments toward refining our care-based programs, such as:

- Westlake/Macarthur Park interventions to improve community health and safety;
- Increased outreach for those experiencing homelessness;
- Putting in place the Transit Ambassador pilot and
- Implemented fare subsidy programs such as the Low-Income Fare is Easy (LIFE) program, Fare Capping, and Go Pass

### *Farebox Recovery Ratio*

The farebox recovery ratio measures how much in fare revenues pay for operating transit. Prior to the pandemic, this ratio was at 15.6% and had fallen to 1-3% during the pandemic with the pause in fare collection. The federal stimulus funding replaced the loss in fares. The actual FY23 ratio of 5.8% came in 1% higher than budgeted, with FY24 budgeted at 6.2%.

While Metro does not solely rely on fares to operate service, fare revenues are reinvested into the system to maintain service and improve customer experience. This ratio is continuously impacted by the rising operating costs and the inability of fares to grow at the same pace. With fare revenues not expected to reach pre-pandemic levels and the loss in federal stimulus funding, this will further strain the availability of operating eligible funding and may limit the investments to improve service. Continued EZBB efforts are necessary to address the rising operating costs that impact this ratio.

### *Service Optimization and Operations Cost Mitigation Efforts*

Operations have centered their focus on delivering a more optimal service design as well as conducting bus and rail cost analyses to identify cost saving opportunities. The task force focused not only on investigating the quantity of service but also explored solutions to provide optimal service level and quality customer experience with implementing the NextGen Bus Plan and an update to the C & K Line Operating Plan to enhance rider travel experience resulting in an estimated savings of \$10 million.

NextGen efficiencies transferred bus revenue service hours (RSH) from peak to off-peak service frequency, reducing bus operator and peak bus requirements by several hundred hours. Metro also adjusted light rail peak frequencies to better allocate service from peak to base and weekend with 8 min peak/10 min off peak headways versus the pre-COVID 6 min peak/12-15 min off peak light rail

service plan, reducing wait times for riders especially off peak. The opening of seven stations on the K line in October 2022 provides new rail service for the communities of West Adams, Jefferson Park, Baldwin Hills, Leimert Park, Hyde Park, Inglewood, Westchester, and more. Metro looks forward to connecting the K Line to Metro's C Line and the LAX Automated People Mover (APM) by the end of 2024.

The North San Fernando Valley Transit Corridor Project was reimagined with a new plan adopted by Metro's Board in December 2022. The new plan consists of an enhanced bus network to increase connectivity and provide high-quality bus service and transit infrastructure in North San Fernando Valley communities from Northridge on the west to North Hollywood on the east. This new innovative approach called the BRT Network Improvements, builds off extensive outreach and Metro Board direction, applying BRT attributes to improve the rider experience on seven existing transit lines in the San Fernando Valley. As part of this project, Metro will implement peak period dedicated bus lanes on Roscoe Boulevard and higher frequency service on Roscoe Boulevard and Nordhoff Street bus lines for shorter wait and travel times.

The project will add new bus shelters at almost 400 locations through a partner agreement with the City of Los Angeles (LA), as well as additional passenger amenities at five key transfer locations. The project will also fund 75 new quiet zero emission battery electric buses for four bus lines, including charging infrastructure. The project will also fund transit signal priority and bus bulbs for seven corridors and all door boarding on all buses in the San Fernando Valley to improve travel times and service reliability for our San Fernando Valley riders.

Metro Transit task forces have also produced a framework tool to assess the most cost-effective way of making insourcing versus outsourcing decisions for long-term financial stability. Additionally, Metro staff is working towards achieving the performance and cost efficiency goals through a new business model for Micro Transit Pilot (MTP) Project (2023-0464). Using the information from the MTP evaluation and peer agencies' comparison, Metro will pursue reducing the current per-trip cost to \$20-\$25.

Correspondingly, to ensure the continued success and sustainability of the Metro Bike Share (MBS) program, Metro updated the operational model to a Privately-Owned and Publicly Managed program to improve overall performance and support a more sustainable regional bike share program. This update will help meet Metro's equity, scalability, expansion, affordability/cost, and efficiency goals for the program.

Metro will also continue to extensively review its internal major cost growth areas. This includes examining overtime usage, Workers' compensation, and Personal Liability and Property Damage (PLPD) insurance areas. Other significant cost growth areas to be evaluated include cost inflation for parts, fuel, power, contract services, public safety, cleaning, rail expansion, and a wide range of other activities that support Metro's partners throughout the Los Angeles County region.

#### *Metro's Early Intervention Team (EIT) and Program Management Cost Mitigation Efforts*

The Metro's Early Intervention Team (EIT) efforts are underway to ensure issues are identified early and projects remain within initially established (life of project) LOP's. EIT has conducted 12 project

reviews to date focused on understanding each project's objectives, risks, and scheduling and financial ramifications. These reviews included:

- East San Fernando Valley (ESFV) Transit Corridor;
- East Side Transit Corridor Phase 2 (ESP2);
- I-105 Express Lanes;
- North Hollywood to Pasadena BRT;
- C-Line Extension to Torrance;
- Sepulveda Transit Corridor;
- Active Transportation Group projects;
- North San Fernando Valley BRT;
- West Santa Ana Branch;
- Green (C-Line) capital projects;
- New Rail Operations Center (ROC)/Bus Operations Center (BOC); and
- Vermont Corridor BRT

The EIT additionally completed process-oriented reviews focusing on alternative project delivery strategies and real estate acquisitions. The EIT completed its reassessment of financial forecasts for all Measure M capital projects in the delivery pipeline and distributed the baseline updates for incorporation in various management reports.

### **FY25 Equitable Zero-Based Budget (EZBB) Process and Schedule**

Metro continues to use Equitable Zero-Based Budgeting (EZBB) for its FY25 Budget development process, which is a year-round process. The EZBB cycle begins with the Near-Term Outlook to prepare a financial prospect for the next several years. This is followed by Capital Budgeting as Metro anticipates upcoming capital project needs through a detailed and interactive process, focusing on cost management and sustainable cash flows.

The annual budget is then developed at the beginning of the calendar year with a holistic program and cabinet reviews with the CEO, focusing on strategic priorities for the upcoming fiscal year. Metro will continue to utilize management controls and tools, starting with evaluating project milestones and performance-based activities. These strategies will maximize available resources and optimize funds for operations. In parallel, Metro creates and launches the Agency's outreach plan and conducts quarterly financial reviews throughout the year via CEO and Cabinet workshops, focusing on financial accountability.

The FY25 Budget will continue Metro's core mission to improve transit services, keep transit assets in a state of good repair, fund and plan for regional transportation programs, and construct



transit/transportation infrastructure according to voter approved sales tax ordinances, State and Federal regulations, Board approved policies and guidelines.

Metro staff will work collaboratively and partner with the Board of Directors to identify mitigation strategies and strengthen cost controls to produce a balanced budget by staying within our cost and equity parameters. Monthly program reviews will provide not only an opportunity to acquire a holistic program review and understanding of the budget but also a chance to reassess the Agency's needs.

Here is a summary of the schedule of topics to be presented over the next few months, culminating in the final Board Adoption in May.

Month	Topic
January	Budget Development Process: • Near-Term Update • EZBB Attainments and Efforts Underway • FY25 EZBB Development Process and Schedule • Public Outreach and Engagement
February	Budget Development Parameters: • Sales Tax Forecast, Resources Assumption • Cost Inflation Estimate
March	Infrastructure Planning and Construction: • Transit Infrastructure Expansion • Multimodal Highway Investments • Regional Rail • Regional Allocations and Pass-Throughs
April	• Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP) • Congestion Management • Planning and Administration
May	Public Hearing and Board Adoption: • Consolidated Agency-wide Expenses and FTEs Budget Proposal • Proposed Budget Book published on April 30, 2024 • Public Hearing on May 15, 2024 • Summary of Public Comment and Stakeholder Review • Final Board Adoption on May 23, 2024

### Public Outreach and Engagement

To advance Metro's commitment to its vision and mission, it is essential to foster inclusive and open engagement with customers, stakeholders, and the public. This involves refining the budget outreach process to ensure it remains dynamic and effective. This year, Metro is emphasizing marketing strategies to reach Equity Focused Communities (EFC) by including the distribution of physical information cards throughout Los Angeles County, striving for increased participation from historically underrepresented groups and riders. Additionally, OMB is working with the Women & Girls Governing Council (WGCC), Metro Youth Council (MYC), LIFE Program, On the Move Riders Program, Metro Station staff, and other Metro groups to increase participation this year. We have already initiated several engagement activities, and a comprehensive update on our public outreach and engagement strategies will be presented in our monthly budget updates.

### Telephone Town Hall Initiatives

Metro is continuing outreach through the Telephone Town Hall (TTH) meetings. These meetings began early this year with the first session in October 2023 and are designed to facilitate direct

communication with the public. The next TTH is scheduled for March 2024.

### *"My Metro Budget" Interactive Tool*

The "My Metro Budget" tool is a novel interactive platform designed for public education and feedback. Available at <http://mybudget.metro.net/>, this tool aims to educate the public about the complexities of Metro's budget and to gather valuable input from our riders. The insights gained will be instrumental in shaping the FY25 Budget.

## **EQUITY PLATFORM**

In FY25, staff continue to conduct exercises to assess equity in Metro's budget for each fiscal year.

For the fifth fiscal year, staff will apply the Metro Budget Equity Assessment Tool (MBEAT) to capital projects and operating expenses in Metro's budget, assessing equity impacts from Metro's large-scale projects as well as department-level budgets. Staff will also analyze FY25 Budgets against budget equity principles aligned with Metro's Equity Platform framework. Once completed, staff will compile a summary of MBEAT results to support ongoing FY25 Budget decisions.

Staff will also conduct the Equity Focus Communities (EFC) Budget Assessment for the FY25 Proposed Budget. In response to the Board's direction, staff will also conduct the EFC Budget Assessment for FY23 Actuals to the EFC Budget Assessment with real expenditures. This exercise will be completed in Spring before the FY25 Proposed Budget Hearing. This practice will also continue for all FY Actuals, once available, and staff will conduct the FY24 Actuals EFC Budget Assessment in Summer 2024, updating the FY24 Proposed EFC Budget Assessment completed last fiscal year.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

## **NEXT STEPS**

Metro staff will provide regular Budget briefings to Board members and their staff starting this month. We will also provide receive-and-file reports monthly, as previously detailed.

Prepared by:

Irene Fine, Sr. Executive Officer Finance, (213) 922-4420  
Michelle Navarro, Sr. Executive Officer Finance, (213) 922-3056  
Melissa Wang, Deputy Chief Financial Officer, (213) 922-6024

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie N. Wiggins  
Chief Executive Officer

# FY25 Budget Development Update

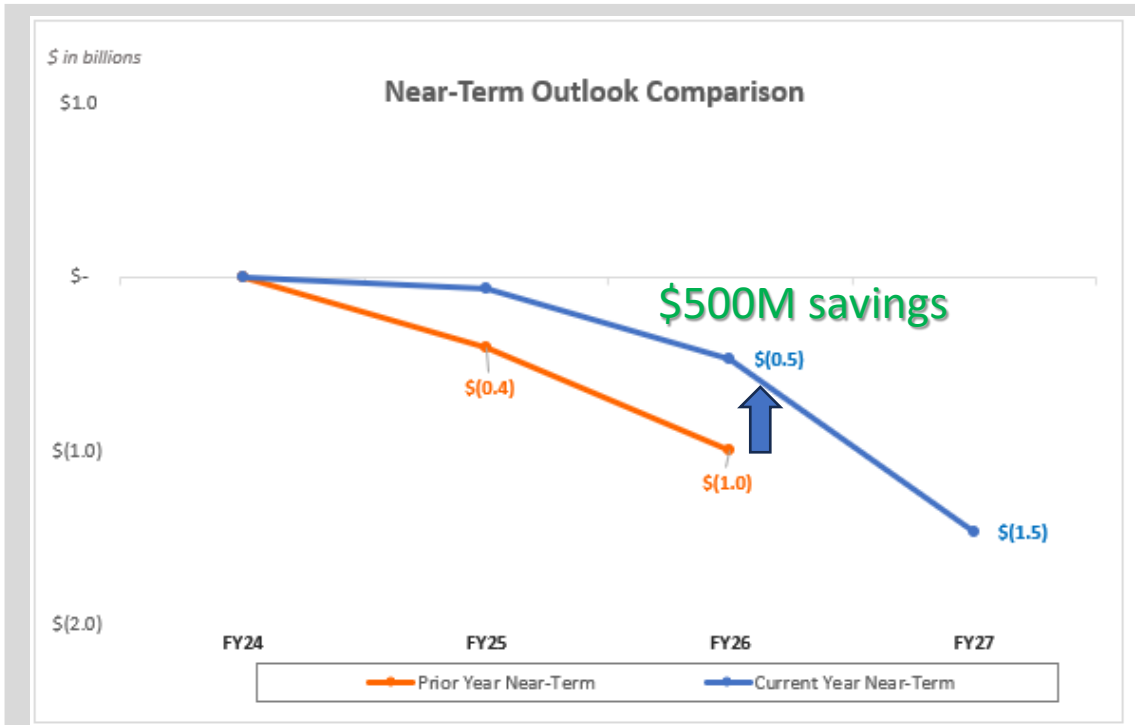
- Near-Term Outlook Update
- EZBB Efforts Underway
- Public Outreach & Next Steps

Finance, Budget & Audit Committee

January 17, 2024

# Update to Near-Term Outlook and Financial Challenges Ahead

**Metro's Objective:** Develop a balanced, Board priority-driven FY25 Budget proposal for adoption in May 2024



Reduced FY26 cumulative deficit by \$500M through:

- ✓ Higher revenues realized in FY23 than anticipated
- ✓ Optimizing cash flow
- ✓ Cost control through tangible EZBB savings

- Although the FY26 outlook has improved from twelve months ago, a financial deficit (operating and capital) remains at \$1.5 billion by FY27
  - Metro Transit Operations (\$555M) due to growing transit costs
  - Metro Transit Capital Improvement Program (CIP) (\$915M) due to electrification efforts
- Financial Challenges persist due to:
  - Exhaustion of one-time federal stimulus funding that was used to balance budgets the last three years
  - Operating costs projected to grow faster than operating revenues
- Long term sustainability remains a concern as the financial gap is anticipated to exacerbate beyond FY27
- Through the Equitable Zero-Based Budgeting (EZBB) process, continuous cost control actions are still necessary and relevant to mitigate early

# EZBB Attainments and Efforts Underway

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- Metro continues to utilize the EZBB process to strengthen cost controls and balance the budget by:
  1. Reviewing the Near-Term Economic factors (controllable and non-controllable)
  2. Breaking down the cost drivers by urgency and root cause, and create tailored-made cost mitigation plans
  3. Instilling a priority-driven zero-based review based on milestone achievements and program/project performance (i.e., evaluation of Bike program and Metro Micro in the annual budget development)
  4. Sharing the financial risk and responsibility with CEO/Cabinet and Board of Directors through innovative cost control solutions such as:



- ✓ Rail line service restructure at C and K line to enhance rider travel experience, generating an estimated \$10 million savings, reinvested to improve cleaning and safety
- ✓ Next Gen service improvement with no additional bus fleet or capital costs, creating significant savings
- ✓ North San Fernando Valley BRT improvement to the rider experience on seven existing transit lines
- ✓ Early Intervention Team (EIT) objective to stay close to initial life of project (LOP)



**WE ARE HERE**



**October 2023**

- > **CEO's Telephone Town Hall**  
*Over 3,600 participants*

**November 2023**

- > Launch My Metro Budget Activity  
*Available in 9 language*

**December 2023**

- > Community group engagement – My Metro Budget physical marketing cards to:
- > GoPass, LIFE, On The Move Riders Program, Metro Youth Council, Metro Station Staff

**January 2024**

- > Social Media launch of My Metro Budget Activity
- > Outreach to Equity Focus Communities

**February 2024**

- > Regional Service Councils – Budget Briefings in all Regions

**March 2024**

- > **CEO's Telephone Town Hall**
- > Community Advisory Committee (TBD)

**April 2024**

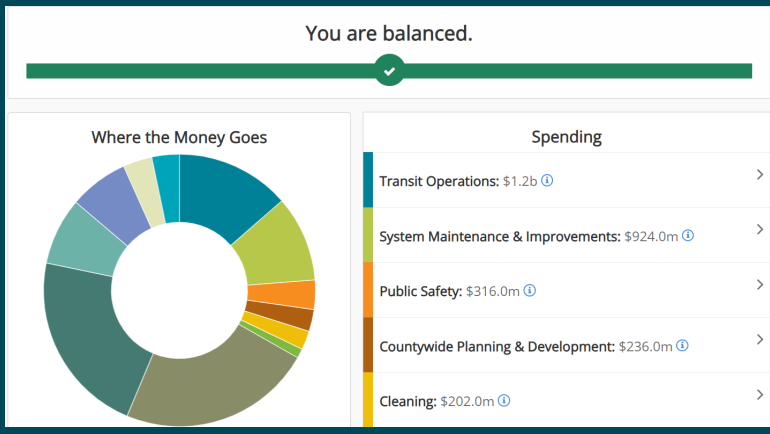
- > San Gabriel Valley COG
- > Bus Operators Subcommittee
- > Regional Service Councils, Budget Briefing
- > Streets & Freeways
- > Community Advisory Council (TBD)
- > Gateway Cities COG
- > Westside Cities COG

**May 2024**

- > Technical Advisory Committee
- > Valley Industry & Commerce Association
- > Local Transit Systems Subcommittee
- > Accessibility Advisory Committee
- > San Gabriel Valley COG
- > **Budget Public Hearing**

Enter to win a \$50 gift card or a TAP card with one year of free rides by helping Metro shape its budget!

Visit [mybudget.metro.net/card](http://mybudget.metro.net/card) or scan the QR code below to participate by the end of May 2024.



> Note: Updated as additional meetings are scheduled.  
 > Ongoing Public Participation



# Schedule & Next Steps



- Near-Term Update
- EZBB Attainments and Efforts Underway
- FY25 EZBB Development Process and Schedule
- Public Outreach and Engagement



- Sales Tax Forecast, Resources Assumptions
- Cost Inflation Estimates



- Transit Infrastructure
- Multimodal Hwy Investments
- Regional Rail
- Regional Allocations & Pass-Throughs



- Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestions Management
- Planning & Administration



- Consolidated Agency-wide Expenses & FTEs
- Proposed Budget Book published on April 30<sup>th</sup>, 2024
- Public Hearing on May 15<sup>th</sup>, 2024
- Final Board Adoption on May 23<sup>rd</sup>, 2024





Board Report

File #: 2023-0773, File Type: Informational Report

Agenda Number: 8.

**FINANCE, BUDGET, AND AUDIT COMMITTEE  
JANUARY 17, 2024**

**SUBJECT: BUILD AMERICA, BUY AMERICA ACT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE a report on the Build America, Buy America Act.

**ISSUE**

At its October 2023 meeting, the Board approved Motion 10 by Directors Horvath, Bass, Butts, Yaroslavsky, and Najarian (Attachment A), instructing the Chief Executive Officer to report back with an evaluation of the applicable provisions of the Build America, Buy America Act (BABA), provisions contained in the Infrastructure Investment and Jobs Act and related federal guidance (49 U.S.C. § 5323(j)), and any impact the Act may have on the feasibility of transit projects seeking a Full-Funding Grant Agreement with the FTA.

This report evaluates BABA’s applicability to Metro’s capital projects seeking Full Funding Grant Agreements with the Federal Transit Administration. These requirements may result in increasing schedule and cost tension on projects funded under the FTA’s Capital Investment Grant (“CIG”) program. While the specific impacts of these increased domestic preference requirements are yet to be quantified, manufacturers and suppliers are taking steps to ensure their full compliance with these policies.

**BACKGROUND**

In 2021, Congress adopted, and President Biden subsequently signed into law, the Infrastructure Investment and Jobs Act (P.L. 117-58), better known as the Bipartisan Infrastructure Law (BIL). One key policy initiative in the BIL is the BABA expands domestic preference requirements for projects that are federally funded.

As noted by the White House on the day the President signed the measure into law, the BIL was crafted to “rebuild America’s roads, bridges, and rails, expand access to clean drinking water, ensure every American has access to high-speed internet, tackle the climate crisis, advance environmental justice, and invest in communities that have too often been left behind. The legislation will help ease

inflationary pressures and strengthen supply chains by making long overdue improvements for our nation's ports, airports, rail, and roads. It will create good-paying union jobs and grow the economy sustainably and equitably so that everyone gets ahead for decades to come. Combined with the President's Build Back Framework, it will add on average 1.5 million jobs per year for the next ten years."

The White House and bi-partisan proponents of the BIL have hailed the new law as a landmark investment in our nation's infrastructure. The BIL provides over \$1 trillion in needed investment spurring economic growth across America's transportation, water, and broadband infrastructure. The BIL seeks to create and sustain good-paying jobs and, in the process, bolstering the middle class by providing a sustainable future for families across Los Angeles County that would not otherwise have been possible.

### *Designated CIG projects*

The CIG Program has three different categories: New Starts, Small Starts, and Expedited Project Delivery (EPD). At its April 2021 meeting, the Board approved, in priority order, West Santa Ana Branch Line and Sepulveda Pass Transit Corridor for the New Starts category, and East San Fernando Valley Light Rail for the EPD category. In 2022, the Board added the Eastside Extension to Whittier and the Vermont BRT for the Small Starts category to the CIG Program as well.

### *Supporting Local Manufacturing*

Finally, Metro has a robust, world-class Manufacturing Careers Policy (MCP) designed to combine and establish the internal guidelines for the United States Employment Program (USEP) and Local Employment Program (LEP). The objective of the MCP is to maximize the economic co-benefits from investments in transit equipment, infrastructure, and related services.

The adoption of the MCP serves as a mechanism for Metro to leverage investments in the manufacturing of Rolling Stock. In this regard, Metro continues to work with both the County of Los Angeles and the City of Los Angeles to advance the Center for Transportation Technology Excellence. Consistent with the intent and goals of the BABA provisions embedded into the BIL, the Center for Transportation Technology Excellence would return full-scale manufacturing of bus and rail rolling stock to the United States and, more specifically, to Los Angeles County. The Center would also include the presence of suppliers of rail and bus parts, a rail test track, and a climate-controlled facility for testing purposes.

This manufacturing facility is critical to job creation across Los Angeles County, given that the market for new bus and rail cars across the Western United States is anticipated to exceed 29,000 vehicles (13,000 rail cars and 16,000 buses) over the next two decades.

## **DISCUSSION**

As noted above, one of the key policy initiatives in the BIL is the BABA, which expands domestic preference requirements for projects that are federally funded. For purposes of projects that receive

Federal Transit Administration (FTA) funds, BABA added a Buy America requirement for construction materials. FTA's existing Buy America requirements applicable to steel, iron, and manufactured products continue to apply, as does the statutory requirement applicable to rolling stock (See 49 U.S.C. §5323(j)). Metro, as required by law, has consistently advanced its projects in compliance with these longstanding federal requirements.

These requirements may result in increasing schedule and cost tension on projects funded under the FTA's Capital Investment Grant ("CIG") program. While the specific impacts of these increased domestic preference requirements are yet to be quantified, there are manufacturers and suppliers that are fully compliant with these policies. Metro already benefits from these reforms as the agency partners with the federal government in implementing these policies on Metro's capital projects.

Sections 70901 through 70927 of the BIL, BABA expanded federal domestic preference requirements. Under BABA, for public infrastructure projects that receive federal support, all iron, steel, manufactured products, and construction materials used in the project must be produced in the United States.

Even before BABA was enacted, FTA had implemented regulation-specific Buy America statutory requirements, including for rolling stock acquired with FTA assistance (49 CFR Part 661, Buy America Requirements). Specifically, the domestic content requirement for transit rolling stock procurements for railcars and buses was "phased up" to require that more than 70 percent of the cost of all components and subcomponents be produced in the United States, and final assembly of the vehicle must occur in the United States ( §5323(j)(2)(C)(i)and (ii)). This requirement has existed since the Fixing America's Surface Transportation Act (FAST Act) was enacted in 2015. Metro is obligated to and consistently has complied with these requirements in purchasing vehicles with FTA funds.

FTA's regulation at 49 CFR §661.7 provides the following three categories of waivers from Buy America requirements:

1. Public interest waiver - when applying the domestic content preference would be inconsistent with the public interest;
2. Nonavailability waiver - if the covered product or material is not produced in the United States in sufficient and reasonably available quantities or is not of satisfactory quality; and
3. Unreasonable cost waiver - when the inclusion of domestically produced items will increase the overall cost of the contract with the supplier by more than 25 percent.

FTA's statute requires notice and comment on proposed waivers, and with the enactment of BABA, the Office of Management and Budget (OMB) will also be involved in reviewing waivers. OMB Memorandum M-22-11 requires that an agency submit a proposed waiver to OMB after public comment is concluded for review and determination by OMB as to whether the waiver is consistent with applicable law and policy. Waiver requests to OMB must include a detailed justification for using foreign sourced products and a certification that a good faith effort was made to solicit bids for domestic products in solicitation documents and communications with suppliers, among other information. Given the strong Buy America policies of the current Administration, waivers are difficult

to obtain and challenging to justify based on the limited waiver standards described above.

The Federal Government, through OMB, has implemented BABA's requirements by creating a new section in the Code of Federal Regulations, 2 CFR Part 184.

### **Federal Restrictions on Rolling Stock Procurement**

The National Defense Authorization Act for Fiscal Year 2020 (P.L. 116-92) expanded federal restrictions on rolling stock procurement from Chinese state-owned, controlled, or related manufacturers. This prohibition was included in section 5323(u) of FTA's statute. These restrictions apply to FTA supported projects and are in addition to other Buy America requirements applicable to iron, steel, manufactured products, and construction materials.

Specifically, federal law:

1. Prohibits federal transit funds from being used to procure rolling stock if the manufacturer is "owned or controlled by, is a subsidiary of, or is otherwise related legally or financially to a corporation based in" China, regardless of whether the manufacturer is incorporated in or has manufacturing facilities in the United States; and
2. Prohibits recipients of certain state of good repair funds from procuring rail rolling stock using non-federal funds and requires each public transportation authority to provide an annual certification of its compliance.

Federal law provides an exception to both prohibitions for rail rolling stock contracts executed before December 20, 2021. Metro has a contract with the China Railway Rolling Stock Corporation (CRRC), executed in 2017, to manufacture up to 282 new Red and Purple Lines rail cars. However, the agency subsequently made a business decision and declined to exercise an option with CRRC for the purchase of up to 218 heavy rail vehicles - above and beyond a base order of 64 vehicles the agency purchased in 2017.

The limited exception provided by the Federal Government concerning the purchase of rail rolling stock before December 20, 2021, would not apply to any new contracts Metro entered into to buy rail vehicles for its projects.

FTA has issued a FAQ related to these rolling stock restrictions, available here:

<https://www.transit.dot.gov/funding/procurement/frequently-asked-questions-regarding-section-7613-national-defense> <<https://protect-us.mimecast.com/s/3qniCgJxn8SPYkXRhoWaXz?domain=gcc02.safelinks.protection.outlook.com>>.

Congress continues to address this issue, as evidenced by the provision in the recently Senate-passed version of the Transportation, Housing and Urban Development appropriations bill for fiscal year 2024 (see Section 5 of HR 4366 EAS) that would prevent any funding under the bill from being used for the benefit of any Chinese company.

Due to a variety of circumstances, the number of Zero Emission Bus (ZEB) manufacturers across the United States has been shrinking. Most recently (November 2023), Proterra - a leading ZEB

manufacturer - announced the results of the Chapter 11 bankruptcy filing. This is a matter of significant concern to our agency and other transit providers, as we seek to transition to a ZEB fleet. The lack of a strong base of domestic ZEB manufacturers has negatively impacted the ability of the remaining firms to supply ZEB vehicles in a timely matter and has also served to increase rolling stock costs. In response to this development, Metro has joined the American Public Transportation Association Bus Manufacturing Task Force - which enjoys support of the Biden Administration -that will “recommend immediate and near-term actions to help ensure a viable and competitive bus manufacturing environment.” Metro is actively participating in this task force and looks forward to carefully considering how the recommendations of the APTA Task Force can be potentially embedded in our future ZEB procurement documents - in order to advance our shared goal of ensuring our nation has a robust base of ZEB manufacturers that can provide rolling stock in both a cost-effective and timely manner.

With respect to any future rolling stock procurements, bidders must comply with the requirements outlined in P.L. 116-92 as determined by the Federal Transit Administration Office of the Chief Counsel. A review of the landscape of rolling stock companies that could build a BABA compliant vehicle indicates that compliant manufacturers exist for light rail, heavy rail, monorail, and ZEB.

### **Manufacturing Careers Policy**

Recognizing the growth in Metro’s transit operations, capital infrastructure program, and associated procurements for manufactured transit equipment, Metro’s MCP objectives are to increase quality job creation and career development for low-income residents facing barriers to employment, to maximize equitable outcomes and economic resiliency in disadvantaged communities, and to maximize career investments in new or existing manufacturing/assembly facilities in the United States and Los Angeles County.

The Manufacturing Careers Policy is applied to all Rolling Stock procurements and related contracts with a minimum contract value of \$50 million (reduced from the current threshold of \$100 million). Metro will also review MCP applicability on related pilot technology contracts at its discretion.

The MCP was developed and installed through a collaboration and partnership with Jobs to Move America (JMA). The MCP ensures that Metro creates opportunities for disadvantaged workers in sectors it is heavily investing in rolling stock manufacturing.

Over the last decade, Metro has been the most successful transit agency in the United States in receiving Full Funding Grant Agreements for major transit capital projects. These projects include the Metro Gold Line Eastside Extension, the Regional Connector Transit Project, and the Westside Purple Line Extension (Sections 1, 2, and 3). This success in securing Full Funding Grant Agreements has largely been due to the agency’s careful and considered policies of strictly adhering to all federal rules and regulations - including Buy America regulations.

Abiding by all federal regulations - including those outlined in the BIL, is essential to ensure the free

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flow of federal transportation dollars for current and future transit capital projects. Failure to adhere to federal regulations related to BABA and other federal rules would necessarily put the federal share of any Metro transit project at risk, which would have a severe and negative impact on our agency's budget.

### **EQUITY PLATFORM**

To successfully advance the construction of our agency's major transit capital projects, many of which will directly benefit disadvantaged communities across Los Angeles County, Metro must abide by all federal rules and regulations that govern securing a Full Funding Grant Agreement through the Federal Transit Administration's Capital Investment Grant Program. With respect to the agency's Equity Platform, it should be noted that Metro's capital projects are constructed under the terms of a Project Labor Agreement (PLA) that Metro's Board of Directors approved on January 26, 2012, and then subsequently renewed on January 26, 2017. This PLA, executed with the Los Angeles/Orange County Building and Construction Trades Council, stipulates that 40% of construction workers must reside in economically disadvantaged areas, 10% participation of disadvantaged workers, and 20% participation of apprentices. Given that the Bipartisan Infrastructure Law now permits local hiring practices on transportation projects using federal funds, Metro now has the ability to hire local workers who reside in disadvantaged communities where we are constructing our capital projects.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports Strategic Plan Goal #3. Specifically, Goal #3 supports enhancing communities and lives through mobility and access to opportunity. By abiding by the rules and regulations of the BABA provision in the BIL - our agency will "enhance communities and lives through mobility and access to opportunity."

### **NEXT STEPS**

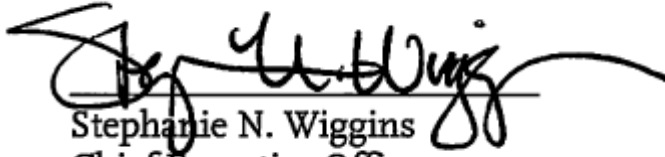
Metro staff will continue to ensure that all our major transit capital projects seeking federal funding through grants or low-interest loans abide by all the provisions stipulated in BIL.

### **ATTACHMENTS**

Attachment A - Board Motion 10

Prepared by: Raffi Hamparian, Deputy Executive Officer, Government Relations, (213) 922-3769  
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Reviewed by: Nicole Englund, Chief of Staff, (213) 922-7950



Stephanie N. Wiggins  
Chief Executive Officer





## Board Report

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File #: 2023-0657, File Type: Motion / Motion Response

Agenda Number: 10.

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FINANCE, BUDGET, AND AUDIT COMMITTEE  
OCTOBER 18, 2023

Motion by:

**DIRECTORS HORVATH, BASS, BUTTS, YAROSLAVSKY, and NAJARIAN**

The *Build America, Buy America Act*, enacted as part of the *Infrastructure Investment and Jobs Act* on November 15, 2021, established a domestic content procurement preference for Federal infrastructure projects in the United States. The Act maximizes the Federal government's use of services, goods, products, and materials produced in the United States and requires that three separate product categories: 1) Iron or Steel Products; 2) Manufactured Products; and 3) Construction Materials, be produced in the United States when used in covered infrastructure projects. The Act is central to President Biden's Investing in America agenda intended to drive domestic manufacturing, rebuild America's infrastructure, and create good-paying jobs. During the February 2023 State of the Union address, President Biden committed to ensuring construction materials used in federally funded infrastructure projects are made in America.

The Office of Management and Budget (OMB) subsequently issued "Guidance" related to the *Build America, Buy America Act* and provisions contained in the *"Infrastructure Investment and Jobs Act"*, which require that after 2020, at least seventy percent (70%) of the cost of components and subcomponents for rolling stock transit vehicles be produced in the United States. Final assembly for rolling stock must also occur in the United States.

These provisions also apply to Federal financial assistance awards (e.g., grants and loans) made after May 14, 2022, that are used to construct, alter, maintain, or repair infrastructure in the United States. According to the Federal Transit Administration (FTA) a "grantee must include in its bid or request for proposal (RFP) specifications for procurement of steel, iron or manufactured goods (including rolling stock) an appropriate notice of the Buy America provision and require, as a condition of responsiveness, that the bidder or offeror submit with the bid or offer a completed Buy America certificate in accordance with 49 CFR, Sec. 661.6 or 661.12."

Similarly, in 2019 Congress passed the *"Transportation Infrastructure Vehicle Security Act"* (TIVSA) as part of the *"National Defense Authorization Act"* which imposed restrictions on the allocation of federal funding, including funds administered by the FTA, for the purchase of rolling stock produced by certain "State-Owned Enterprises." In response to the enactment of these provisions of law, in 2020 the FTA published a document providing guidance for Section 7613 of the Defense Act. The document reads in part: *"Section 5323(u)(1) generally prohibits FTA funding of procurement of rolling stock from any manufacturer that is 'owned or controlled by, is a subsidiary of, or is otherwise related*

*legally or financially to a corporation based in certain foreign countries.”*

The Los Angeles County Metropolitan Transportation Authority is proceeding with several voter-approved projects, currently in planning or under construction, that are seeking or intending to apply for federal funding (Sepulveda Transit Corridor Project; L (Gold) Line Extension; West Santa Ana Branch Corridor; K (Crenshaw) Line Northern Extension; East San Fernando Valley Light Rail, Eastside Transit Corridor Phase 2, *et al.*).

The Office of Management and Budget (OMB) recently (August 2023) issued final guidance to supplement the *Build America, Buy America Act* and provisions contained in the *Infrastructure Investment and Jobs Act*. The new guidance, effective October 23, 2023, is intended to be high-level coordinating guidance for Federal agencies to use in their own direct implementation of *Build America, Buy America* and will impact all entities who have or receive covered awards.

In the not-too-distant future, the Metro Board will be asked to make decisions on several draft and final environmental impact reports, and locally preferred alternatives for projects that may be seeking federal financial assistance. These decisions will weigh heavily in the context of what Metro has referred to as an impending “fiscal cliff” in fiscal years 2024 and 2025, significantly increased construction costs, as well as the upcoming five-year and decennial evaluations of Measure M projects. It is therefore timely and necessary for Metro to conduct an exhaustive evaluation of the applicable provisions of the *Build America, Buy America Act*, provisions contained in the *Infrastructure Investment and Jobs Act*, and related federal guidance, and report to the Board on any impacts the law may have on the ability to deliver Measure R and Measure M voter approved infrastructure projects.

**SUBJECT: THE IMPACT OF THE BUILD AMERICA BUY AMERICA ACT ON LA METRO’S MAJOR CAPITAL PROJECTS MOTION**

### **RECOMMENDATION**

APPROVE Motion by Directors Horvath, Bass, Butts, Yaroslavsky, and Najarian that the Metro Board instruct the Chief Executive Officer to report to the Board in March 2024 with an evaluation of the applicable provisions of the *Build America, Buy America Act*, provisions contained in the *Infrastructure Investment and Jobs Act* and related federal guidance (49 U.S.C. § 5323(j)), and any impact the Act may have on the feasibility of transit projects seeking a Full-Funding Grant Agreement with the FTA.