

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

**Statutorily Mandated Audit of
Miscellaneous Expenses
October 1, 2023 to December 31, 2023
(Revised)**

Report No. 25-AUD-01

September 6, 2024



TABLE OF CONTENTS

INTRODUCTION	1
OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT	2
BACKGROUND	2
RESULTS OF AUDIT	3
1. Purchase Card Program Needs to be Updated Regarding Advertising Expenses	3
2. Noncompliance with Purchase Card Program	5
3. Noncompliance with GEN 65 Metro Business Travel Guidelines	6
a. Travel Request/Authorization was Submitted Less than 30 Days Prior to Travel	6
b. Justification Memo for Use of Personal Vehicle Submitted After Travel	8
c. No Justification Memo for Lodging in Excess of the Allowable Per Diem Rate	9
4. Advertising Expenses Charged to Incorrect Account	9
5. Corporate Membership Charged to Incorrect Account	10
OBSERVATION	11
COMPARISONS WITH PRIOR PERIODS	11
CONCLUSION	14
RECOMMENDATIONS	15
MANAGEMENT COMMENTS TO RECOMMENDATIONS	16
OIG EVALUATION OF MANAGEMENT RESPONSE	16
ATTACHMENTS	17
A. Summary of Sampled Expenses Audited	17
B. Management Comments to Draft Report	18
C. Final Report Distribution	32



Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213 244-7318 Fax

DATE: September 6, 2024

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

INTRODUCTION

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

1. Purchase Card Program should be updated regarding advertising expenses
2. Noncompliance with Purchase Card Program
3. Noncompliance with GEN 65 Metro Business Travel Guidelines
 - a. Travel Request/Authorization was submitted less than 30 days prior to travel
 - b. Justification memo for use of personal vehicle submitted after travel
 - c. No justification memo for lodging in excess of the allowable per diem rate
4. Advertising expenses charged to an incorrect account
5. Corporate membership charged to an incorrect Account

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

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, Countywide Planning and Development, Customer Programs and Services, Marketing, Office of Board Administration, Operations, Program Management, Talent Development, and Transit Security; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of October 1, 2023 to December 31, 2023. For this period, miscellaneous expenses totaled \$2,731,926¹ with 661 transactions. We selected 50 expense transactions totaling \$1,631,777 for detail testing. Thirty (30) of the expense transactions were randomly selected, nine (9) were selected due to their large dollar amounts, and eleven (11) were selected to add more samples for 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,

¹ 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

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

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

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues with the following transactions:

1. Purchase Card Program Needs to be Updated Regarding Advertising Expenses

Criteria: The P-Card Program 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 Administrative Aide of the Administrative Business Services Department paid \$1,306.11 on October 3, 2023, for advertising related to Union Station Parking Management using a P-card. When inquiring about the written pre-approval, the Senior Manager mentioned that approval was done digitally through Metro's Contract Information Management System (CIMS). As a result, pre-approval was not included in the supporting documentation posted to FIS.

Our research into this transaction(s) found when Metro departments submit proposals for goods or services that require Metro's V/CM to solicit proposals for such goods and services, V/CM may use their department P-Card to pay for advertising related to the solicitation. The advertising expenses are then charged back to the requesting department. The approval process for this type of P-card transaction is systematic and transpires within the CIMS workflow. A written pre-approval, as with other P-Card purchases, is not created and matched with P-Card purchases but can be inferred with this systematic approval and workflow process.

VC/M said requesting departments/cost centers should budget for possible proposal advertising expenses.

The P-Card Administrator and Senior Director of Finance stated that prior written approval for this type of P-Card purchase is not required.

Metro's P-Card administrator and Senior Director of Finance stated - *"Requiring the V/CM Sr. Manager to pre-approve all legally required Agency procurement advertisements to comply with*

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

the purchase card guideline of approving all transactions in advance of being transacted by the cardholder(s) in writing is not feasible, reasonable, or necessary. Approval to advertise is already obtained via CIMS or other mechanisms from the requestor and budget owner and included in the packet as noted by the Sr. Manager, Systems and Analytics. Further approvals are unnecessary and not required in this instance.”

According to the P-Card administrator and V/CM’s Senior Director of Finance– the utilization of V/CM’s assigned P-Card is an allowable method of payment for advertising expenses made on behalf of requests for proposals by various Metro departments. Approval for this type of P-Card expense is realized/obtained systematically through the CIMS workflow process and is an allowable use of a P-Card.

It is unclear whether departments can plan and budget for their proposal advertising expenses if they do not know what proposals will incur advertising costs and how much these expenses may be.

The P-card Program includes several allowances and restrictions for P-card usage but does not address this type of P-Card usage.

Recommendations:

Vendor/Contract Management

- Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro’s CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
- Coordinate with Metro’s Talent Development department and develop additional CIMS training that helps ensure all departments, who prepare purchase requisitions, are cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

Metro OMB

- Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

2. Noncompliance with Purchase Card Program

Criteria: The P-Card Program 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.”*

- (1) The Director of Metro’s Risk Management department paid \$325 for a Worker’s Compensation Claims Professional virtual examination using a P-card on August 28, 2023, to support the career growth of their administrative staff. This transaction appeared in the October 2023 P-Card log. When we inquired about the written pre-approval for this transaction, the Executive Officer mentioned that the approval for this transaction was given verbally.
- (2) The Assistant Public Communications Officer of the Public Relations department paid \$244.14 for various newspaper subscriptions, including The LA Times, New Yorker, and the Chicago Tribune on various dates in late August and early September. When we inquired about the written pre-approval for this transaction, the Assistant Public Communications Officer mentioned that pre-approvals are given either verbally or through email. However, a pre-approval email was not given for the sampled transaction.

While inquiring with the Executive Officer, they mentioned that these charges were approved/authorized by their predecessor. The EO also mentioned that they will follow Metro’s P-Card written pre-approval requirements moving forward.

- (3) The Senior Manager of the Program Management Executive Office paid \$2,166.67 for Signature Leadership Training provided by WTS on September 4, 2023. This transaction was included in the October 2023 P-Card log. When we inquired about the written pre-approval for this transaction, the Senior Manager stated that the pre-approval letter could not be located and as a result, no written record was included with the supporting documentation.
- (4) The Chief Administrative Analyst of the Transit Security department used a P-card to pay two separate transactions, both of which were for new hires for their public safety-related training at Rio Hondo College. The first transaction was for \$7,136.05 on September 19th, 2023, while the second transaction was for \$2,832.75 in October 2023. When inquiring about the written pre-approval for these two purchases, the Chief Administrative Analyst stated that there was no written pre-approval for these purchases.

While inquiring with the Senior Director, they mentioned they requested a pre-approval template be made so it can be used to satisfy Metro’s P-Card written pre-approval requirements moving forward.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

- (5) The Director of the Physical Security department used their P-card to pay \$2,997 for Excel training on October 26, 2023, and the professional development of their staff. When inquiring about written pre-approval for this transaction, the Director mentioned that approval was given verbally. As a result, no written record of the approval was included in the supporting documentation of this transaction.

It is important for employees to follow the P-card Program Rules and Guidelines so transactions are adequately documented and have the proper approvals in writing prior to payment.

Recommendations:

Risk Management/Public Relations/Program Management Executive Office/Transit Security/System Security and Law Enforcement:

- Remind the P-Cardholders and Approving Officials that approval for P-card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions.

3. Noncompliance with GEN 65 Metro Business Travel Guidelines

a. Travel Request/Authorization was Submitted Less than 30 Days Prior to Travel

Criteria: The Metro Business Travel Policy (GEN 65) states that *“The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date.”*

- (1) The Director, Wayside Systems of the Rail MOW Signal Systems department attended the AREMA conference in Indianapolis, Indiana from October 1 to 4, 2023 and submitted a Travel and Business Expense (TBE) Report for \$3,507.25 with a total reimbursable expense amount of \$1,719.72. The Travel Request/Authorization was submitted on September 12, 2023, less than 30 days prior to his travel.

The Director did not provide an explanation in the justification memo for the travel. When inquiring about this issue, the Director mentioned that they were informed of the need to attend the AREMA conference less than 30 days before the conference was scheduled to begin.

- (2) The Principal Transportation Planner of the Station Experience Department attended the 2023 International Sanitary Supply Association Conference in Las Vegas, Nevada

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

from November 13 to 16, 2023, and submitted a Travel and Business Expense Report for \$2,435.34 with a total reimbursable expense amount of \$1,361.61. He submitted the Travel Request/Authorization on October 25, 2023, 21 days prior to his travel.

When inquiring about this, the Principal Transportation Planner mentioned that a colleague was initially scheduled to go to the conference; however, after it became clear that his colleague could not go, the Principal Transportation Planner was chosen to go in her place on short notice.

- (3) The Senior Manager, Audit of the Management Audit Services attended the “Administrative Professionals Conference” in Las Vegas, Nevada from October 22 to 25, 2023, and submitted their Travel and Business Expense Report for \$2,664.42 with total reimbursable expenses of \$1,069.42. She submitted the Travel Request/Authorization (TA) on September 28, 2023, 25 days prior to her travel.

The Senior Manager did not provide her explanation in the justification memo for the travel. When inquiring about this issue, she stated that she had returned from a leave of absence close to the conference and she had many pressing priorities. Thus, the TA form was completed less than 30 days prior to travel.

- (4) The Facilities Maintenance Supervisor of the Facilities/Property Maintenance department attended the EnoMax Leadership Program in Charlotte, North Carolina from October 15 to 20, 2023, and submitted the Travel and Business Expense Report for \$2,081.54 with total reimbursable expenses of \$510.04. He submitted the Travel Request/Authorization on September 19, 2023, 26 days prior to travel.

The Facilities Maintenance Supervisor did not provide an explanation as to why the TA was submitted less than 30 days prior to his trip. When inquiring about this, the Facilities Maintenance Supervisor mentioned that there was a delay in getting a TA number from the Travel office.

- (5) The Deputy Chief Innovation Officer of the Office of Strategic Innovation attended the APTA Transform Conference in Orlando, Florida from October 8 to 10, 2023 and submitted a Travel and Business Expense Report for \$1,345.52 with total reimbursable expenses of \$562.81. He submitted the TA on October 2, 2023, six days prior to his travel. The Deputy Chief Innovation Officer did not provide an explanation as to why the TA was submitted less than 30 days prior to his travel.

When inquiring about this, the Deputy Chief Innovation Officer mentioned that another individual was initially supposed to attend the event; however, the CEO eventually decided that the traveler should go instead.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

It is important that explanations for the circumstances causing TA requests to be submitted less than 30 days before travel be included in the justification memo, in compliance with Metro's GEN 65 policy.

Recommendations:

Rail MOW Signal Systems/Station Experience/Management Audit Services/Facilities and Property Maintenance/Office of Strategic Innovation

- Require the traveler and those charged with reviewing and approving travel expenses to be familiar with Metro's Business Travel Policy GEN 65.
- Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of travel.

b. Justification Memo for Use of Personal Vehicle Submitted After Travel

The employee mentioned above said she used her personal vehicle for the trip; however, the required justification memo was submitted after the travel.

GEN 65 Metro Business Travel Policy, Attachment 4, states that "*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 a personal vehicle for non-local travel.*"

While a justification memo for personal vehicle use was given, it was given after the travel had concluded. When inquiring about this issue, the Senior Manager stated that they did not believe that justification memos for personal vehicle use were required. They became aware of the requirement after travel had ended which caused the late submission of the personal vehicle use justification memo.

It is important to submit an approved justification memo for personal vehicle use in advance of travel according to Metro's GEN 65 Policy.

Recommendation:

Management Audit Services

- Require the traveler to submit an approved justification memo for personal vehicle use before the travel is set to begin.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

c. No Justification Memo for Lodging in Excess of the Allowable Per Diem Rate

The Deputy Chief People Officer of the Talent Development department attended the “Changing the Game: Negotiation and Competitive Decision-Making” conference in Cambridge, Massachusetts from October 29 to November 3, 2023, and submitted their Travel and Business Expense Report for \$16,002.11 with total reimbursable expenses of \$855.71. The individual arrived at the city where the conference was held the day prior to the conference and stayed at a hotel at a rate higher than the per diem rate allowable at the time.

Pursuant to Metro’s GEN 65 policy, which became effective approximately two months prior to the audit period, justification memos for travel should include requests for overages on lodging per diems. However, the Deputy Chief People Officer did not include a justification memo for this overage. When inquiring about this, the Deputy Chief People Officer mentioned that they did not have a justification memo for the overage as it was not requested from them.

The GEN 65 Metro Business Travel Policy states that *“The business justification memo must be specific to the traveler and include the purpose of the trip, identify the organization, meeting location and the dates of travel. It may also include additional requests for approval such as a request for car rental, exception for lodging expense over the per diem rate, personal vehicle use/parking, local lodging, or other special requests.”*

It is important that lodging per diem overages be supplemented with a justification memo to demonstrate proper approvals for lodging.

Recommendation:

Talent Development

- Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include an approved justification memo in the supporting documentation with their Travel & Business Expense Report.

4. Advertising Expenses Charged to Incorrect Account

The Marketing department split the charges of four different invoices from the Civilian advertising firm between accounts 50918 (for Advertising Media Expenses) and 50316 (for Professional Services). When inquiring about the reason for this allocation, the Director’s Admin

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

Analyst stated that there was not enough budget in the advertising bucket to cover the amount of total work. Therefore, funds from the account 50316 were pulled to cover any remaining amounts of total expenses incurred.

The Descriptive Chart of Accounts describes account 50316 – Professional and Technical Services as payment of services provided by external entities while account 50918 – Advertising is for payments specifically for advertising media expenses.

- While advertising expenses might include an element of professional services, portions of these invoices charged to Professional Services account 50316 were due to budget shortfalls. It is important to avoid utilizing the budgets of other accounts in the absence of a clear need for those accounts. If funds run out for a particular type of expense, funds from another account may have to be transferred to the proper accounts.

Recommendation:

Marketing

- We recommend that Marketing ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid the misclassification of advertising expense transactions by using other accounts.

5. Corporate Membership Charged to Incorrect Account

On October 20, 2023, the Executive Officer of Community Relations approved a transaction involving the payment of membership fees of a local chamber of commerce for \$760, which has been considered a corporate membership in the past. According to the HR 6 Corporate and Professional Memberships, the CEO will review and approve all applicable corporate memberships. However, there was no approval from the CEO and there was no Corporate and Professional Membership form included with the supporting documentation for this transaction. When inquiring about this, the Executive Officer mentioned that during discussions with the OCEO's office, it was determined that corporate memberships for smaller chambers of commerce would be reviewed and approved by either Community Relations or Public Relations.

The HR 6 Corporate and Professional Memberships states that *"The CEO will review and approve applicable corporate memberships annually, and they or their designee will be designated as the Agency representative for LACMTA."* However, due to this particular chamber of commerce being considered a smaller chamber of commerce, account 50999 Other Miscellaneous Expenses was used instead of account 50905 Corporate Membership. This in turn led to the omission of a Corporate and Professional Membership Information Form and the absence of CEO approval.

It is important that corporate membership transactions be accurately charged to the Corporate Memberships account and receive the proper level of approval.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

Recommendation:

Community Relations

- Remind employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

OBSERVATION

Non-Work Time Charged Erroneously to Relocation Expense

The Accounting department erroneously charged \$2,626.08 to account 50908 – Employee Relocation - for time entries of an employee who was on Union business. When inquiring about this, the Payroll Supervisor explained that this transaction was “*mapped in error*” and should have been recorded to account 50281 – NC-Non Work time PTSC. The correcting entry was subsequently made by Accounting in March 2024.

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 the audit population.

1. Reviewed Quarter (FY24 Q2) versus Prior Quarter (FY24 Q1) Miscellaneous Expenses

Miscellaneous expenses in FY24 Q2 posted an increase of \$988,273 or 57% compared to FY24 Q1 or Jul-Sep 2023. During this quarter, all expenses (except Professional Membership and account # 50999) were higher, especially Advertising expenses (account # 50918) which had an increase of \$646,542. For FY24 Q2, Metro paid various advertising expenses for Fare Capping Media, Meta, Summer Ridership, SoCal 511, iHeart Radio, GoPass Full Media Plan, FY24 Rail Safety Month, and the DTLA Connections Campaign.

**Statutorily Mandated Audit of Miscellaneous Expenses
October 1, 2023 to December 31, 2023**

Office of the Inspector General

Report No. 25-AUD-01

Table 1: Reviewed Quarter vs. Prior Quarter

Account	Oct-Dec 2023	Jul-Sep 2023	Increase (Decrease)
Advertising	1,400,244	\$ 753,702	\$ 646,542
Business Meals	194,210	90,606	103,604
Business Travel	208,508	84,113	124,395
Corporate Membership	182,780	77,200	105,580
Employee Relocation	71,020	0	71,020
Professional Membership	11,343	11,875	(532)
Seminar and Conference Fee	111,589	85,386	26,203
Miscellaneous (50999) *	510,364	629,790	(119,426)
Others (Mileage and Parking, etc.)	41,868	10,981	30,887
Total	\$ 2,731,926	\$ 1,743,653	\$ 988,273
Increase Over Prior Quarter			57%

* 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)

**2. Reviewed Quarter (Oct-Dec 2023) versus Same Quarter of Prior Year (Oct-Dec 2022)
Miscellaneous Expenses**

Miscellaneous expenses for FY24 Q2 increased by \$171,790 or 7% as compared to the same quarter of FY23. This was mainly due to Miscellaneous expenses (account 50999) - \$510,364 for the reviewed quarter compared with only \$394,017 for the same quarter of FY23. See Table 2.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Oct-Dec 2023	Oct-Dec 2022	Increase (Decrease)
Advertising	\$ 1,400,244	\$ 1,356,575	\$ 43,669
Business Meals	194,210	248,725	(54,515)
Business Travel	208,508	133,170	75,338
Corporate Membership	182,780	263,764	(80,984)
Employee Relocation	71,020	74,258	(3,238)
Professional Membership	11,343	11,975	(632)
Seminar and Conference Fee	111,589	65,873	45,716
Miscellaneous (50999) *	510,364	394,017	116,347
Others (Mileage and Parking, etc.)	41,868	11,779	30,089
Total	\$ 2,731,926	\$ 2,560,136	\$ 171,790
Increase Over Same Quarter of Prior Year			7%

**Statutorily Mandated Audit of Miscellaneous Expenses
October 1, 2023 to December 31, 2023**

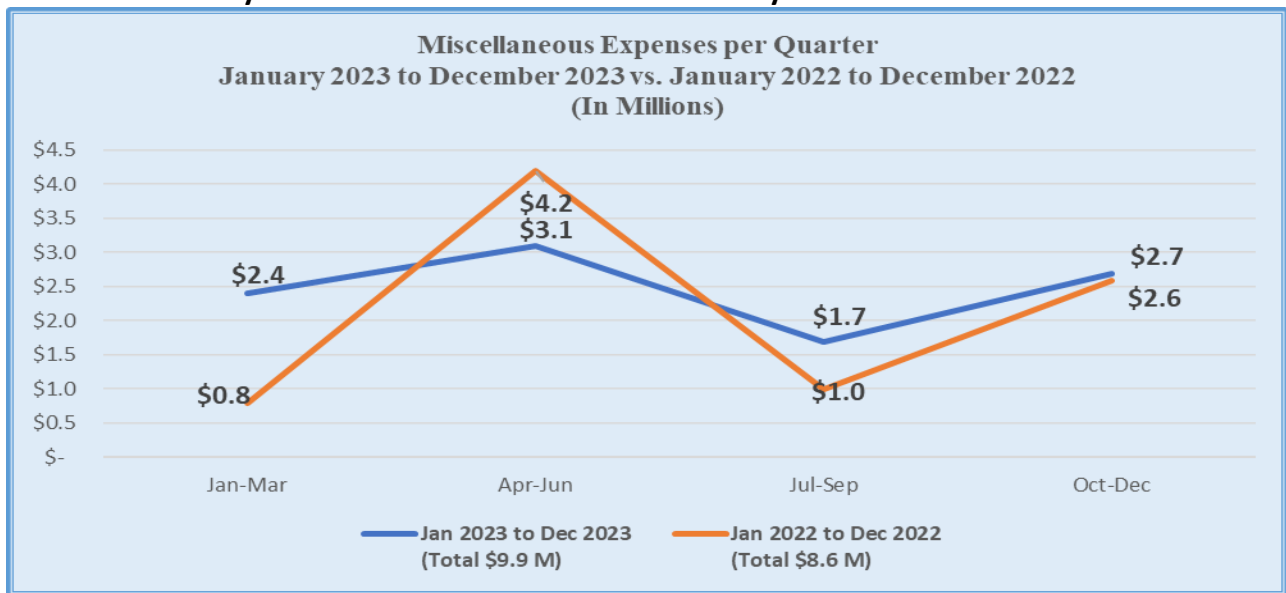
Office of the Inspector General

Report No. 25-AUD-01

3. January 2023 to December 2023 versus January 2022 to December 2023

Miscellaneous expenses of \$9.9 million from January 2023 to December 2023 were \$1.3 million higher compared with \$8.6 million from January 2022 to December 2022. Corporate Memberships and Advertising expenses decreased by about \$1.1 million. However, this was offset by an increase of about \$1.5 million in other miscellaneous expenses (account # 50999). See Figure 1.

**Figure 1: Miscellaneous Expenses by Quarter
January 2023 to December 2023 versus January 2022 to December 2022**



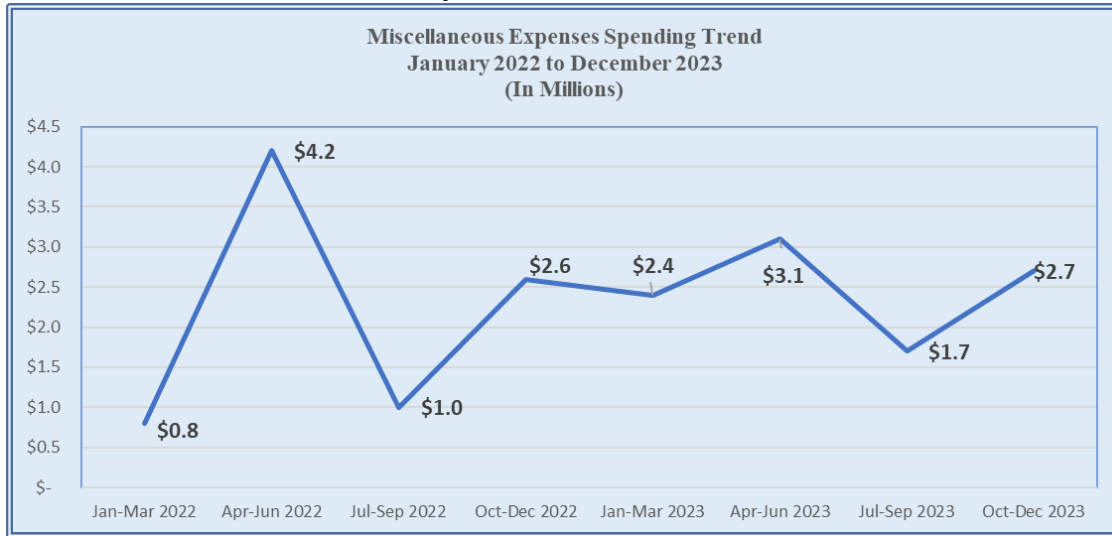
**Statutorily Mandated Audit of Miscellaneous Expenses
October 1, 2023 to December 31, 2023**

Office of the Inspector General

Report No. 25-AUD-01

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

**Figure 2: Miscellaneous Expenses Spending Trend
January 2022 to December 2023**



As shown in Figure 2, miscellaneous expenses were highest during April-June 2022. This was due to Advertising expenses comprising about \$3 million of the total \$4.2 million miscellaneous expenses.

For the last four quarters (January 2023 to December 2023), miscellaneous expenses in every quarter were higher than the miscellaneous expenses for the previous quarters (January 2022 to December 2022, except for April to June 2022.). This is an indication that Metro operations are starting to normalize after the pandemic.

CONCLUSION

The miscellaneous expenses we reviewed for FY24 Q2 October 1 to December 31, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of noncompliance with P-card policies as well as seven instances of noncompliance with the GEN 65 Metro Business Travel Policy.

Other findings include Advertising and Corporate Membership expenses charged to incorrect accounts, as well as the P-Card program needing updates with respect to transactions processed through CIMS.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

Employees should be instructed to review and comply with Metro's GEN 65 Business Travel Policy: Submit Travel Request/Authorization forms at least 30 days in advance of travel and provide the required and applicable justification memos. In addition, employees should be reminded to obtain written pre-approval for P-card purchases and accurately charge expenses to the correct accounts.

RECOMMENDATIONS

We recommend:

Vendor/Contract Management

1. Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro's CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
2. Coordinate with Metro's Talent Development department and develop additional CIMS training that helps ensure all departments who prepare purchase requisitions are cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

Metro OMB

3. Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

Risk Management, Public Relations, Program Management Executive Office, Transit Security, System Security and Law Enforcement:

4. Remind the P-Cardholders and Approving Officials that approval of P-card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions, according to the P-Card program.

Rail MOW Signal Systems, Station Experience, Management Audit Services, Facilities and Property Maintenance, Office of Strategic Innovation

5. Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2023 to December 31, 2023

Office of the Inspector General

Report No. 25-AUD-01

6. Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Audit Services

7. Require the traveler to submit an approved justification memo for personal vehicle use before the travel is set to begin.

Talent Development

8. Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include the approved justification memo in the supporting documentation with their Travel & Business Expense Report.

Marketing

9. Ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid the misclassification of advertising expense transactions by using other accounts.

Community Relations

10. Remind the employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On July 19, 2024, we provided Metro Management with our draft report. By September 6, 2024, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

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

**Summary of Sampled Expenses Audited
October 1, 2023 to December 31, 2023**

Account	Account Description	Audit Population	Sample Amount
50213	Training Program	\$ 15,352	15,132
50903	Business Meals	194,210	12,208
50905	Corporate Membership	182,780	174,780
50908	Employee Relocation	71,020	17,626
50910	Mileage and Parking	26,516	943
50912	Professional Membership	11,343	2,259
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	111,589	1,345
50917	Business Travel	208,508	13,348
50918	Advertising	1,400,244	1,287,307
50930	Employee Activities & Recreation<a>	0	0
50999	Other Miscellaneous Expenses	<u>510,364</u>	<u>106,829</u>
	Total	<u>\$2,731,926</u> 	<u>\$1,631,777</u>

<a> No expenses incurred for this quarter.

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

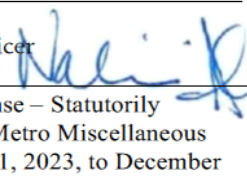
Management Comments to Draft Report

Vendor/Contract Management and OMB



Metro

Interoffice Memo

Date	August 2, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nalini Ahuja Chief Financial Officer 
Subject	Management Response – Statutorily Mandated Audit of Metro Miscellaneous Expenses – October 1, 2023, to December 31, 2023 Report No. 25-AUD-01

The Office of Inspector General (OIG) performed a review of Metro Miscellaneous Expenses from October 1, 2023, to December 31, 2023 (Report No. 25-AUD-01).

Audit Conclusion

This audit found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. Upon engagement with V/CM and Office of Inspector General regarding this review, OIG auditors have reported on the following finding:

- 1. Purchase Card Program Should be Updated Regarding Advertising Expenses

Based on these findings, OIG’s report documented three recommendations to improve transactions of Metro Miscellaneous Expenses. Below are V/CM’s responses for Report No. 25-AUD-01.

OIG Recommendations:

Recommendation 1. Vendor/Contract Management

- Due to the unique nature of P-Card usage by V/CM for advertising expenses related to solicitations from various departments, and their systematic approvals through Metro’s CIMS, update the P-Card program to include exceptions for systematic approvals compared to individual P-Card purchases requiring written pre-approval.
- Coordinate with Metro’s Talent Development department and develop additional CIMS training that helps ensure all departments, who prepare purchase requisitions, are

Management Comments to Draft Report

cognizant that advertising expenses are legally required for formal solicitations, and budget for these advertising costs.

V/CM Response:

- Agree. This recommendation has been implemented. P-Card Administrator has clarified in the Purchasing section of the Rules and Guidelines page of the P-Card site and in the P-Card training that advertising in support of procurements as coordinated with V/CM are exempt from requiring prior written approval as this is obtained through the CIMS workflow. This was completed July 22, 2024.
- Agree. The Procurement Card support team will work with the V/CM Systems team and HC&D Talent Development to incorporate the necessary advertising budget information into the agencywide requisition training. The anticipated completion of this will be by the end of Q3 FY25.

Recommendation 1. Metro OMB

- Provide adequate notification to department/cost Centers for possible advertising expenses who submit solicitations to V/CM for procurement. and prepare a budget for possible advertising expenses. Include as part of the annual budgeting process a provision for advertising expenses related to their solicitations to avoid budget shortfalls.

OMB Response:

- Agree. OMB will direct departments to plan and budget their anticipated procurement advertising requests during the annual budget process. This recommendation will be implemented for the FY26 Budget cycle.

Any questions or concerns can be addressed to me, Nalini Ahuja at 213-922-3088.

cc: Debra Avila, Deputy Chief Vendor/Contract Management Officer
Dr. Irma L. Licea, Executive Officer, Support Services
Abraham Lora, Senior Director, Finance, Vendor/Contract Management

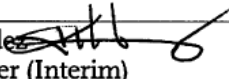
Management Comments to Draft Report

Risk Management, Transit Security, System Security and Law Enforcement



Metro

Interoffice Memo

Date	July 29, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kenneth Hernandez  Chief Safety Officer (Interim)
Subject	Statutorily Mandated Audit of Miscellaneous Expenses October 1, 2023 to December 31, 2023

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

**Noncompliance with Purchase Card Program
Recommendation # 4 pertaining to Risk Management, Transit Security and System Security and Law Enforcement:**

Remind the P-Cardholders and Approving Officials that approval of P-Card transactions should be made explicitly in writing in advance of purchase and included with the supporting documentation of P-card transactions, according to the P-card program.

Response:

Staff concurs with the recommendation, and as recommended on page 15 of the report, I will send an email reminder to the P-card holders and Approving Officials that approval of P-card transactions should be made explicitly in writing in advance of purchase and included in supporting documentation of P-card transactions in accordance with the P-card program will be issued no later than July 31, 2024.



Management Comments to Draft Report

Public Relations



Metro

Interoffice Memo

Date	July 29, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides  Chief Customer Experience Officer
From	Monica Bouldin  Deputy Chief Customer Experience Officer
Subject	Response to Draft Report: Noncompliance with Purchase Card Program, October 1, 2023 to December 31, 2023 (Report No. 25- AUD-01)

The Public Relations department has received and reviewed the audit findings and recommendations regarding item 2 (part 2): “Noncompliance with Purchase Card Program.” We followed up with staff to discuss the findings and have put together our response below for your review.

Item 2, part 2: Noncompliance with Purchase Card Program

The audit disclosed that the Assistant Public Communications Officer of the Public Relations department paid \$244.14 for various newspaper subscriptions, including The LA Times, New Yorker, and the Chicago Tribune on various dates in late August and early September. When we inquired about the written pre-approval for this transaction, the Assistant Public Communications Officer mentioned that pre-approvals are given either verbally or through email. However, a pre-approval email was not given for the sampled transaction.

To prevent future noncompliance with Purchase Card Program:

1. The Assistant Public Communications Officer will carefully monitor when the department’s subscriptions are due for renewal and will submit a written request to the EO, Communications, Public Relations, for approval to renew the subscription no less than one week prior to the renewal date, noting the cost and term of the renewal.
2. The EO, Communications, Public Relations will review the request and either approve the renewal of the subscription or state that the subscription should be cancelled.
3. If the subscription is approved, the Assistant Public Communications Officer will renew the subscription with the PCard, according to Metro Policy.
4. If the EO does not approve the renewal of the subscription, the Assistant Public Communications Office will cancel the subscription prior to any auto-renewal.

Management Comments to Draft Report


Program Management



Metro

Interoffice Memo

Date	July 31, 2024
To	Yvonne Zheng Senior Manager, Audit
From	Tim Lindholm Chief Program Mgmt Officer (Interim)
Subject	Response to OIG Audit No. 25-AUD-01



Digitally signed by Timothy P. Lindholm
DN: cn=Timothy P. Lindholm, o=Metro
and other information
can be found at http://www.metro.net

The Office of Inspector General (OIG) audited Metro’s miscellaneous expenses from October 1, 2023, to December 31, 2023. OIG found that the sampled transactions generally complied with Metro policies, were reasonable, and was adequately supported by required documents.

However, there was a Purchase Card Program finding related to a Program Management transaction. Therefore, Program Management will take the actions below to comply with the audit recommendations.

Noncompliance with the Purchase Card Program

Recommendation: Remind the P-Cardholders and Approving Officials that approval for P-card transactions should be made explicitly in writing in advance of purchases and included with the supporting documentation of the P-card transaction.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to all P-card holders and approving officials.

Completion Date: August 30, 2024.

Please contact me at extension 27297 or Kathy Knox extension 27504 if you would like to discuss or require additional information.

Management Comments to Draft Report

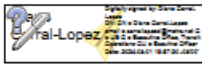
Rail MOW Signal Systems, Station Experience,
and Facilities & Property Maintenance



Metro

Interoffice Memo

Date	August 1, 2024
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)
From	Diane Corral-Lopez Executive Officer
Subject	25-AUD-01 Management Response to Audit of Metro Misc. Expenses October 2023 – December 2023



The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 2023 – December 2023. Although OIG found that the sampled transactions generally complied with Metro policies, two issues were identified across several departments within Operations. Therefore, the actions below will be taken by each team to comply with the recommendations from the audit:

Operations (Rail MOW Signal Systems)

Recommendation #5

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; All Travelers and approvers will be required to review and acknowledge they understand Travel Policy Gen 65.

Completion Date: August 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Response: Agree; All travelers will be required to review Policy Gen 65 section (2.0 Procedures) and acknowledge they understand the requirement to submit a justification memo if TA request are submitted less than 30 day in advance of their trip.

Completion Date: August 30, 2024

Operations (Station Experience)

Management Comments to Draft Report

Recommendation #5

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; The traveler has read, understood, and familiarized himself with the Business Travel Policy GEN 65 and will abide by all travel related policies.

Completion Date: Completed on April 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo if they submit a TA request less than 30 days before their trip.

Management Response: Agree; The traveler understands to include a clear explanation for future justification memos in cases where he submits a TA request less than 30 days in advance of a business trip.

Completion Date: Completed on April 30, 2024

Operations (Facilities and Property Maintenance)

Recommendation #5

Require the traveler and those charged with reviewing and approving travel expenses to be familiar with the Business Travel Policy GEN 65.

Management Response: Agree; Operations concurs with the recommendation and will provide training to all Facilities Maintenance management and supervision by the completion date.

Completion Date: August 30, 2024

Recommendation #6

Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of their trip.

Management Response: Agree; Operations concurs with the recommendation and will provide training to all Facilities Maintenance management and supervision by the completion date.

Completion Date: August 30, 2024

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Errol Taylor
Chris Limon
Leticia Solis
Ricardo Moran
Stephen Tu


Management Comments to Draft Report

Management Audit Services



Metro

Interoffice Memo

Date	August 1, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kimberly L. Houston  Deputy Chief Auditor Management Audit Services
Subject	25-AUD-01 Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2023 to December 31, 2023

Digitally signed by Kimberly L. Houston
Date: 2024.08.02 16:05:23 -07'00'

Management Audit Services has thoroughly reviewed the draft report distributed on July 19, 2024. In response, please note the following:

Recommendation 5 – Travel Request/Authorization Submitted Less than 30 Days Prior to Travel

The department agrees that travelers, reviewers, and approvers must be familiar with the Business Travel Policy. In June 2024, staff was asked to read and understand GEN 65, Metro’s Business Travel Guidelines.

Completion Date: July 31, 2024

Recommendation 6 – Travel Request/Authorization Submitted Less than 30 Days Prior to Travel

The department agrees and will instruct travelers to include an explanation in their justification memo if circumstances don’t allow for the submission of Travel Authorizations at least 30 days before travel.

Completion Date: August 30, 2024

Recommendation 7 - Justification Memo for Use of Personal Vehicle Submitted After Travel

The department agrees that travelers must submit an approved justification memo for personal vehicle use before travel is set to begin and will ensure compliance for all future travel. In June 2024, staff was asked to read and understand GEN 65, Metro’s Business Travel Guidelines.

Completion Date: July 31, 2024

Management Comments to Draft Report

Office of Strategic Innovation




Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

Date	July 25, 2024
To	Office of the Inspector General
From	Seleta Reynolds  Chief Innovation Officer
Subject	Response to the Statutorily Mandated Audit of Metro Miscellaneous Expenses report for October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses report that were processed from October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01). OIG found that the transactions reviewed generally complied with Metro policies, however a few issues were identified. The actions below will be taken by the Office of Strategic Innovation to comply with the audit recommendations.

Noncompliance with GEN 65 Metro Business Travel Guidelines

Recommendation #5: Require the traveler and those charged with reviewing and approving travel expenses to be familiar with Metro’s Business Travel Policy GEN 65.

Management response: Metro’s Business Travel Policy GEN 65 will be emailed to all staff to remind them of the requirements detailed in the policy.

Completion date: August 9, 2024

Recommendation #6: Instruct the travelers to include an explanation in their justification memo in cases where they submit a TA request less than 30 days in advance of travel.

Management response: An email will be sent to staff reminding them to flag future travel requests that occur less than 30 days prior to travel. As part of the travel request, an explanation for the travel request and reason for delayed request will be provided and will receive Chief approval before travel is booked.

Completion date: August 9, 2024


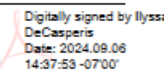
Please contact me at extension x24098 if additional information or discussion is needed.

Management Comments to Draft Report

Talent Development



Interoffice Memo

Date	September 6, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Ilyssa DeCasperis  Chief People Officer 
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2023 to December 31, 2023 (Report No. 25- AUD-01)

Purpose: This memo is to respond to Recommendation #8 provided by report No. 25-AUD-01 issued by the Office of Inspector General (OIG) on August 7th, 2024.

The Chief People Office (CPO) has thoroughly reviewed the report distributed on August 7, 2024. Please see the response to the recommendation for the Talent Development Department.

Recommendation #8:

Talent Development

Require the traveler to submit a justification memo when lodging expenses are higher than the allowable GSA per diem rate and include an approved justification memo in the supporting documentation with their Travel & Business Expense Report.

Management Response: Agree

The Chief People Office (CPO) will send a memo to staff reminding them that if their lodging expenses are higher than the allowable GSA rate, they must include a justification memo with the supporting documentation for approval. In the event the justification is unacceptable, staff will be notified of the reason and have the opportunity to amend their lodging choices to comply accordingly in a timely manner.

Additionally, the particular travel as outlined in the audit report was not a conference. The travel was part of a 3-part educational certification program. The costs covered travel and tuition for the "Changing the Game: Negotiation and Decision Making" course.

In the future CPO will ask vendors to split out meals and lodging costs to ensure that they are within the GSA permissible amounts.

Completion Date: September 27, 2024

Management Comments to Draft Report

Marketing



Metro

Interoffice Memo

Date	July 26, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides <i>JV</i> Chief Customer Experience Officer
From	Monica Bouldin <i>MB</i> Deputy Chief Customer Experience Officer
Subject	Response to Draft Report: Advertising Expenses Charged to an Incorrect Account, October 1, 2023 to December 31, 2023 (Report No. 25-AUD-01)

Background

The Marketing department has received and reviewed the audit findings and recommendations regarding item 4: "Advertising Expenses Charged to an Incorrect Account." We followed up with staff to discuss the findings and have compiled our response below for your review.

The audit disclosed that the Marketing department split the charges of four invoices from the Civilian advertising firm between accounts 50918 (for Advertising Media Expenses) and 50316 (for Professional Services). An expedited request to fund a marketing campaign for the LIFE program beyond the amount budgeted for the fiscal year led to our Marketing Sr. Administrative Analyst utilizing Professional Services funds to cover advertising costs.

OIG Recommendation:

We recommend that Marketing ensure that the 50918 Advertising account is budgeted sufficiently in future periods to avoid misclassifying advertising expense transactions by using other accounts.

Management Response to Audit Finding

Marketing department management concurs with the OIG recommendation. Further, because this is the third audit finding related to marketing-related budgets and expenses, the Deputy Chief of Customer Experience, who oversees marketing, has instituted the following with a completion date by January 1, 2025:

1. Budgeting and accounting procedures training for the Senior Admin Analyst, Directors and DEOs overseeing the marketing department.

Management Comments to Draft Report

2. Requests for advertising campaigns or professional services representing incremental costs beyond the fiscal year's budget will prompt notification to the Marketing Sr. Administrative Analyst and DEO, Marketing Operations.
3. The senior administrative Analyst will determine if funds are available and communicate this information to the PM and DEO, Marketing.
4. The Marketing PM will communicate with the requesting party based on the funds' availability. If funds are unavailable, they will be asked to find alternative funding, or the campaign cannot proceed.
5. In response, the Marketing Senior Administrative Analyst will run a monthly funds available report to determine whether campaign requests can be funded.
6. The Marketing PM and Marketing DEO will review the report monthly to maintain awareness of available advertising funds.
7. If funds are available, but there is not sufficient budget in 50918, a transfer will be executed from other appropriate projects and/or accounts into 50918,
8. The transfer of funds must be approved by the EO or Deputy Chief of Customer Experience.
9. If funds are unavailable in the Marketing cost center and additional funds cannot be secured from other cost centers or campaigns, we will not proceed with the campaign request.

Management Comments to Draft Report

Community Relations



Metro

Interoffice Memo

Date	July 25, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Lilian De Loza-Gutierrez, Executive Officer, Community Relations <i>LDG</i>
Thru	Jennifer Vides Chief Customer Experience Officer <i>JV</i>
Subject	Response to Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report Number 24-AUD-07) from Community Relations Business Unit

Purpose:
 This is a response to the Office of the Inspector General’s Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report number 24-AUD-07).

Background:
 An audit was performed by the Office of the Inspector General (OIG) on miscellaneous expenses from October 1, 2023 - December 31, 2023 (Report No. 25-AUD-01). The results of the audit uncovered that on October 20, 2023, an Executive Officer of the Community Relations department approved the payment of membership fees of a local chamber of commerce for \$760, which has been considered a corporate membership in the past.

According to the HR 6 Corporate and Professional Memberships, the CEO will review and approve all applicable corporate memberships. However, there was no approval from the CEO and there was no Corporate and Professional Membership form included with the supporting documentation for this transaction.

The HR 6 Corporate and Professional Memberships states that, “The CEO will review and approve applicable corporate memberships annually, and they or their designee will be designated as the Agency representative for LACMTA.”

- OIG Recommendation:**
- Remind the employees that memberships with local chambers of commerce, even those considered smaller or insignificant in amount, should be charged to the Corporate Membership account and staff should comply with the Corporate and Professional Membership Policy, HR 6.

Community Relations Unit Response:
 The three Executive Officers of the Community Relations business unit within the Customer Experience Department have reviewed the policy, agree with the OIG Report and appreciate the clarification that all corporate memberships are to be reviewed and approved by the CEO or their designee annually, and that they or their designee will be

Management Comments to Draft Report

designated as the Agency representative for LACMTA. The Executive Officers understand the HR 6 Corporate and Professional Memberships and will follow and comply with it moving forward as it seeks corporate memberships with various chambers of commerce throughout Los Angeles County, when needed.

Executive Officers have communicated this policy with all Area Managers and staff who represent Metro on various chambers and have reminded them to secure written pre-approvals utilizing the HR6 Corporate and Professional Memberships approval form. Additionally, all chamber membership payments will be accurately charged to the Corporate Membership account 50905.

Final Report Distribution

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Metro

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