

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

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

Report No. 24-AUD-02

August 25, 2023



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DATE: August 25, 2023

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
October 1, 2022 to December 31, 2022 (Report No. 24-AUD-02)

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

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2022 to December 31, 2022. This audit was performed pursuant to Public Utilities Code Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

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

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

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and

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- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

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

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

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

This audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

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

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

RESULTS OF AUDIT

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

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

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

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

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

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

a. Incomplete Documentation

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

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

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

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

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

Recommendations:

Operations (Rail Vehicle Acquisition)

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

Human Capital & Development (Workforce Services)

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

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

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

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

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

Recommendations:

Operations (Rail Vehicle Acquisition)

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

Human Capital & Development (Workforce Services)

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

c. Late Submission of Travel and Business Expense Report

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

Section 1.2.1 of FIN 14 requires that *“The TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

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

It is important that TBE reports are submitted in a timely manner for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated. Moreover, submitting the expense report on time will avoid the probability of losing receipts or documents which may otherwise occur if there is a long gap between the travel date and submission date.

Recommendations:

Operations (Rail Vehicle Acquisition)

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

Human Capital & Development (Workforce Services)

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

2. Incorrect Reporting of Travel Expense

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

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

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

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

Recommendation:

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendations:

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

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

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

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

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

Recommendation:

Human Capital & Development (Workforce Services)

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

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

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

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

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

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

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

Recommendation:

Human Capital & Development (Workforce Services)

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

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

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

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

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

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

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

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

Recommendation:

Human Capital & Development (Workforce Services)

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

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7. No Clear Policy on Tips

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

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

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

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

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

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

Recommendation:

Human Capital & Development (Workforce Services)

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

8. Non-Familiarity of Traveler with FIN 14 Policy

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

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

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

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

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

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

Recommendations:

Community Relations

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

Human Capital & Development (Workforce Services)

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

9. Incomplete Documentation for P-Card Purchases

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

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

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

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

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

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

Recommendations:

Information Technology Services

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

OBSERVATIONS

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

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

COMPARISONS WITH PRIOR PERIODS

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

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

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

Table 1: Reviewed Quarter versus Prior Quarter

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

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

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

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

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

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

c. January to December 2022 versus January to December 2021

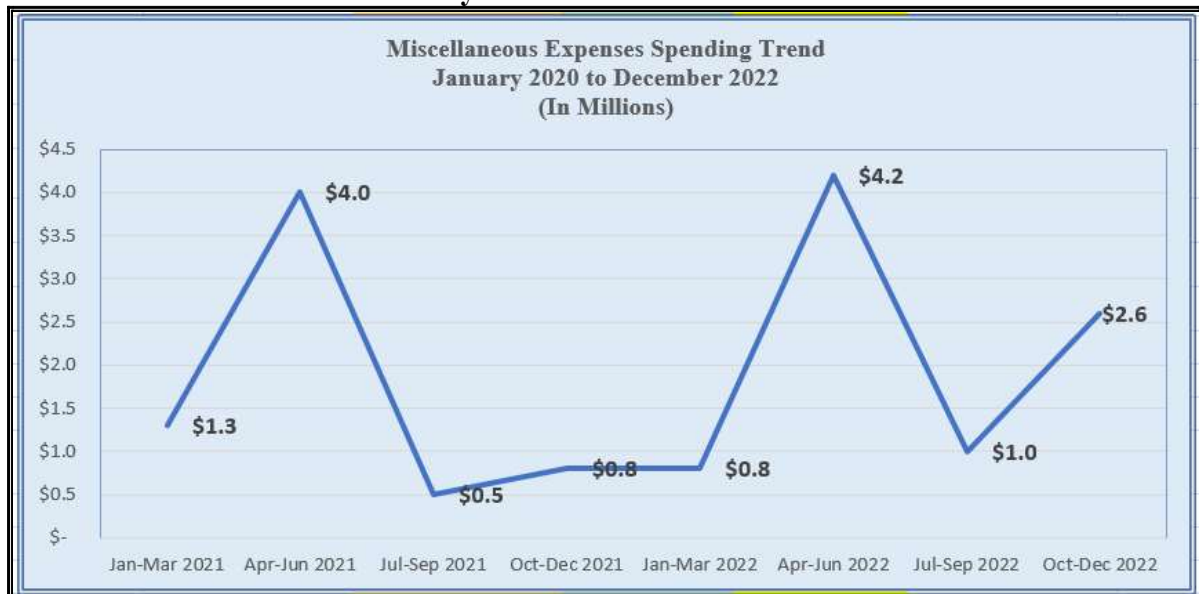
Miscellaneous expenses of \$8.6 million for the calendar year 2022 increased by \$2 million or 30% as compared with \$6.6 million in calendar year 2021. This was mainly due to increase in the following accounts: Advertising (\$500K), business travel (\$320K), business meals (\$400K), corporate membership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

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



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

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



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

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2022 to December 31, 2022

Office of the Inspector General

Report No. 24-AUD-02

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

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

CONCLUSION

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

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

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

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

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

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

RECOMMENDATIONS

We recommend the following:

Operations (Rail Vehicle Acquisition)

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

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

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

Community Relations

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

Human Capital & Development (Workforce Services)

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

Statutorily Mandated Audit of Miscellaneous Expenses

October 1, 2022 to December 31, 2022

Office of the Inspector General

Report No. 24-AUD-02

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

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On August 14, 2023, we provided Metro Management a draft report. By August 24, 2023, Metro Management had submitted their responses summarizing their corrective actions as shown in Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

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

Summary of Sampled Expenses Audited October 1, 2022 to December 31, 2022

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

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

³ No expenses incurred for this quarter.

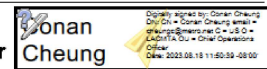
⁴ This total does not include transactions that were less than \$200, offsetting debits and credits, and transactions from the OIG and Transit Court Departments.

Management Comments to Draft Report


Metro

Interoffice Memo

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



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

Operations (Rail Vehicle Acquisition)

Recommendation # 1

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

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

Completion Date: September 1, 2023

Recommendation # 2

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

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

Completion Date: September 1, 2023

Recommendation # 3

Page | 1

Management Comments to Draft Report

Require staff to submit TBE Reports in a timely manner.

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

Completion Date: September 1, 2023

Recommendation # 4

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

Management Response: Agree; A memo will be prepared informing staff to thoroughly review the TBE Report and ensure accuracy of all expenses incurred during their travel. Traveling employee/s and supporting staff will also be required to confirm this information with management during their semi-annual audits.

Completion Date: September 1, 2023

Operations (Rail Fleet Services & Rail Vehicle Acquisition)

Recommendation # 5

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

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

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

Completion Date: September 1, 2023

Recommendation # 6

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

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

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

Completion Date: September 1, 2023

Management Comments to Draft Report

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

Management Comments to Draft Report



Metropolitan Transportation Authority

Metro**Interoffice Memo**

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

Thank you for the opportunity to respond to findings and recommendations prior to the final release of the Audit Report. It is our understanding that The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 1 to December 31, 2022. Please see below our responses to the Recommendations.

Recommendation # 7:

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

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

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

Recommendation # 8:

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

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

Completion Date: August 21, 2023.

August 23, 2023

Management Comments to Draft Report

Jennifer Vides
Chief Customer Experience Officer

Date

Management Comments to Draft Report


Metro

Interoffice Memo

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

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

Recommendations

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

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

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

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

Management Comments to Draft Report

**Metro**

Interoffice Memo

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

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

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

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

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

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

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

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

Management Comments to Draft Report

**Metro**

Interoffice Memo

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

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

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

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

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

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

Management Comments to Draft Report



Metro

Interoffice Memo

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

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

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