



## Board Report

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### OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE SEPTEMBER 19, 2019

**SUBJECT: OFFICE OF INSPECTOR GENERAL REPORTS ON THE AUDIT OF (1) THE GRAFFITI/LANDSCAPING/TRASH MAINTENANCE ON THE GOLD AND ORANGE LINES RIGHT-OF-WAYS AND (2) MISCELLANEOUS EXPENSES FOR THE PERIOD OCTOBER 1, 2018 TO DECEMBER 31, 2018**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of Inspector General (OIG) final reports on the (1) Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways and (2) Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018.

#### **ISSUE**

The OIG periodically reports on its activities. This report covers two recent OIG Audit reports:

1. Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways
2. Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018 (required by Public Utilities Code section 130051.28(b))

#### **BACKGROUND**

Part 1. Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways:

The objectives of the audit were to determine if the trash collection and graffiti removal was effectively performed on the ROWs and if the Facilities Maintenance Department was effectively monitoring the contractors' maintenance of the ROWs to ensure that services were correctly billed.

Part 2. Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018:

This audit covered a review of Metro miscellaneous expenses for the period of October 1 to December 31, 2018. For this period, miscellaneous expenses totaled \$1,997,667.02. We selected a sample of 36 expense transactions totaling \$485,664.87 for testing.

## **DISCUSSION**

### **Part 1. Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways:**

We found the Gold Line and Orange Line ROWs overall were adequately maintained by the Contractors except for two issues on the Gold Line concerning a few bulky items not being picked up and paint-out graffiti not being reported to Metro. We also found a significant number of instances of noncompliance with the Gold Line contract and minor issues with the Orange Line contract that resulted in Metro being overcharged \$91,175.92 and paying \$32,809.28 in unauthorized charges for November 2018, December 2018, and January 2019 services.

#### **Findings Included**

- The Gold Line Contractor charged Metro for 15 trash/vegetation crew members when only 14 were provided,
- The Gold Line Contractor did not charge Metro for actual hours, resulting in overpayments,
- The Gold and Orange Line Contractors charged Metro for holidays services without authorization,
- The Gold Line Contractor's use of "make-up" hours resulted in Metro paying for staff twice, and
- On the Gold Line, bulky items were not removed in a timely manner, and paint-out graffiti was not reported.

#### **Recommendations:**

The report makes 17 recommendations which Metro can take to improve oversight of contractors and compliance with the contracts.

### **Part 2. Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018:**

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. However, we found an instance where a purchase card holder was mistakenly listed as a business unit coordinator.

#### **Recommendations:**

The report makes two recommendations regarding the separation of duties of P-Card holders, Approving Officials, and Business Unit Coordinators and the accurate reporting of the name of the

Business Unit Coordinator on P-Card logs.

### **FINANCIAL IMPACT**

#### **Part 1. Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways:**

There could be a potential recovery of \$91,175.92 in overcharges. Further, a review of charges since the Gold Line contract began in 2015 could identify similar billing errors identified in this audit that may also be recovered.

#### **Part 2. Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018:**

There is no financial impact.

Impact to Budget: Both Reports: There is no impact to the agency budget.

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

Recommendations support strategic plan goal # 5.3, LA Metro will apply prudent commercial business practices to create a more effective agency.

### **NEXT STEPS**

Metro management should implement corrective action plans.


### **ATTACHMENTS**

Attachment A - Final Report on Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways

Attachment B - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2018 to December 31, 2018

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