Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE
APRIL 20, 2023

SUBJECT: AUDIT OF CONTROLS OVER METRO'S NON-REVENUE VEHICLES (PHASE I)

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on Controls over Metro's Non-Revenue Vehicles - Phase I.

ISSUE

The Office of the Inspector General (OIG) performed an audit of controls over Metro's non-revenue vehicles (NRVs). This audit was conducted to assist Metro to improve its internal control over non-revenue vehicles to deter fraud, waste, and abuse and in support of Metro's core business goal to provide responsive, accountable, and trustworthy governance within the Metro organization. The overall objective of this project is to determine whether internal controls over Metro's non-revenue vehicles (NRVs) are adequate and effective. Because there are many control areas related to Metro's NRVs, we separated this audit into two phases. Phase I focused on controls on NRVs acquisition, retirement or disposal, 24-hour assigned vehicles, department pool vehicles, General Services pool vehicles, and IRS reporting of non-cash taxable benefits. Phase II will focus on NRV drivers' compliance with ExpressLanes usage policy, controls in place to handle and report NRV accidents, and verify if NRV drivers observe vehicle, traffic, and parking codes.

BACKGROUND

Los Angeles County Metropolitan Transportation Agency (Metro) provides non-revenue passenger vehicles for employees' use to carry out Metro business. Non-revenue vehicles (NRVs) are assigned in pools at various locations or assigned to an individual employee.

As of June 30, 2022, Metro's non-revenue fleet consisted of 1,416 vehicles, which includes sedans, mini vans, SUVs, trucks, and full-size vans allocated to Departmental Pools, Company Equipment, General Services' Pool and 24-Hour assignments.

Metro's policy for Non-Revenue Passenger Vehicles (GEN16) provides guidelines to employees who use an NRV to carry out Metro business. The policy includes guidelines on eligibility for vehicle assignments, 24-hour assigned vehicles, pool vehicles, overnight use, reporting requirements for personal use, vehicle operation and fleet maintenance.

The Non-Revenue Department (also known as “NR”) is responsible for managing the procurement, distribution, maintenance and retirement of all NRVs. NR also monitors the assignment and usage of NRVs.

General Services, on the other hand, is responsible for managing the pool at Metro Headquarters (Gateway) for use by all departments located at Gateway for business purposes.

The Projects, Grants & Capital Assets Unit of the Accounting Department is responsible for accurate and timely recording of transactions related to NRVs based on the information provided by the Non-Revenue Department. The Payroll Department calculates the withholding tax of the taxable benefit for employees’ use of NRVs.

This audit covered a review of non-revenue vehicles as of June 30, 2022.

DISCUSSION

Findings

Metro’s Capital Assets Unit of Accounting and Operations’ Non-Revenue Department developed and issued detailed procedures and policies to record, monitor, and safeguard non-revenue vehicles (NRVs). Our audit found that Metro has adequate controls in place for acquisition, retirements, and safeguarding of NRVs. However, controls can be improved in the areas of recordkeeping, assignment, and utilization of the vehicles, as well as in complying with the IRS regulations on taxable benefits for the use of NRVs. Coordination between Non-Revenue Department and other departments utilizing NRVs, coupled with close supervision of all Department Heads, would ensure adherence to and effective implementation of Metro policies and procedures.

The Office of the Inspector General provided 29 recommendations to address the issues.

Recommendations

We recommend the following:

Operations (Non-Revenue Department)

1. Record the LAPD vehicles in Maintenance and Materials Management System (M3).

2. Provide the Rideshare Program Administrator (RPA) with a copy of the Vehicle Request Form for any new 24-hour non-revenue vehicle assignment. Include the RPA in the distribution list of the Vehicle Request Form.

3. Metro staff involved in NRV procurement should ensure that the vendor complies with all the requirements of the purchase contract by Metro, and delivery of NRVs are free of any defects that would prevent full utilization of the vehicles and placing the units into service upon delivery. Payment for NRV purchases should only be made to the vendor after the units were inspected and verified to meet the specifications required by Metro. An adequate supply of Fleetwatch

devices should be ordered in advance of receiving new vehicles so they may be promptly installed.

4. Add the following information in Maintenance and Material Management System (M3) or Vehicle Request Form:

   - Indicate the date that the vehicle assignment type is changed from 24-hour to non-24 hour and vice versa in M3.

   - Add a statement in the Vehicle Request Form that recipients of 24-hour assigned vehicles are not entitled to transit subsidy.

5. Inform Accounting of any disposal or retirement of non-revenue vehicles in a timely manner.

6. Ensure that the Vehicle Request Form is approved by the authorized signatories according to Metro policy.

7. Upload the Vehicle Request Form for 24-hour assigned vehicles to Maintenance and Material Management System (M3).

8. Evaluate the utilization of the 24-hour assigned vehicles and department pool passenger vehicles for possible vehicle pool reduction, re-assignment to other employees or departments who may better utilize the capital asset/NRV. Metro should consider reviewing the prior year utilization when issuing 24-hour assigned vehicles.

9. Coordinate with Human Capital and Development to include Non-Revenue Department as one of the required signatories in the clearance form of the retiring/separating employees to ensure that the Taxable Benefit Form is submitted, if applicable.

10. Add a provision in GEN 16 policy to monitor vehicle usage by using a vehicle usage log with all pertinent information and require monthly review by the vehicle assignee’s immediate supervisor.

<u>Operations (General Services)</u>

11. Coordinate with Metro’s Information Technology Services department to generate a report on overnight use of General Services’ pool vehicles and comply with the IRS reporting requirement.

12. Remind staff to always check for proper vehicle request approval; do not process the request without the approval.

13. Clarify the policy on the use of vehicles for more than one overnight use; e.g. two to five continuous days.

14. Request Information Technology Services (ITS) to modify the vehicle check-in date to reflect

the actual date the vehicle was returned, and not the date the information was posted to M3.

15. Instruct the drivers to report the mileage on the Vehicle Check-Out and Check-In forms accurately.

Operations (Rail Fleet Services) and Program Management (Systems Engineering)

16. Instruct the recipients of 24-hour assigned vehicles to comply with Metro's GEN 16 policy; do not redeem transit subsidies for the bus/rail pass once a 24-hour assigned NRV is received.

17. Management should discuss with employees their receipt of a transit subsidy while assigned a 24- hour vehicle and determine the amount of money Metro should be reimbursed.

Program Management

18. Maintain vehicle use log records for each department pool vehicle with complete information such as employee's name, contact number, destination and purpose of the trip, date and time the vehicle was checked out and returned, the beginning and ending odometer readings, and the fuel level.

19. Assign the immediate supervisor to thoroughly review vehicle usage records for completeness and accuracy and approve on a monthly basis.

20. Consider allowing other employees to use the department's pool vehicles when they are not being used by the primary vehicle assignee.

Human Capital and Development (Workforce Services)

21. On a monthly basis, obtain a list of 24-hour assigned vehicles from the Non-Revenue Department and reconcile this list with transit subsidy recipients.

22. Consider adding a reminder in the monthly notification that no transportation subsidy is allowed if the employees have 24-hour assigned vehicles.

Human Capital and Development (Talent Acquisition)

23. Add a statement in the Supervisor's Termination Processing Checklist and Clearance Order requiring the separating employee to submit a completed "24-Hour Assigned Vehicle & Overnight Use Report Commuter Mileage Form," if applicable.

System Security & Law Enforcement and Vendor/Contract Management (Procurement)

24. Inform the Non-Revenue Department whenever a contractor purchases vehicles on behalf of Metro based on a contract for the purposes of recording the vehicles to the proper financial

account(s).

System Security and Law Enforcement

25. Ensure that the purchase of non-revenue vehicle or any asset that meets the threshold of capital expenditure is recorded correctly as capital asset, and not as an operating expense.

26. Ensure that the correct account is used for each component of the contract; i.e. services are recorded as operating expenses and non-revenue vehicles or equipment are recorded as capital or fixed assets.

27. Monitor the usage of LAPD vehicles by obtaining mileage periodically.

28. Prepare for the return of the NRVs, as provided for in the contract, upon contract termination.

All Cost Centers

29. Request a 24-hour vehicle assignment if the department requires frequent or extended overnight use of NRVs for business purposes.

EQUITY PLATFORM

It is OIG's opinion that there is no equity consideration or impact in this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Controls over Metro's Non-Revenue Vehicles - Phase I (Report No. 23-AUD-04)

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