



## Board Report

File #: 2023-0302, File Type: Informational Report

Agenda Number: 33.

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### OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE JUNE 15, 2023

**SUBJECT: AUDIT OF CONTROLS OVER METRO NON-REVENUE VEHICLES (PHASE II)**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on Controls Over Metro Non-Revenue Vehicles - Phase II.

#### **ISSUE**

The Office of the Inspector General (OIG) audited Metro's internal controls over 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 non-revenue vehicles (NRVs) are adequate and effective.

Because there are many control areas related to Metro NRVs, staff 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. The audit for Phase I was released on March 9, 2023 (Report Number 2023-AUD-04) and resulted in 29 recommendations.

This report covers Phase II of the audit, which focused on determining if NRV drivers complied with the ExpressLanes usage policy and observed vehicle, traffic, and parking codes, as required in GEN 16 - General Management Policy on NRVs. Staff also verified if controls in handling and reporting NRV accidents are in place and adequate. The audit for Phase II resulted in 31 recommendations.

#### **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 Metro locations or assigned to individual Metro employees.

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As of June 30, 2022, Metro's non-revenue fleet consisted of 1,416 vehicles, which includes sedans, mini vans, sport utility vehicles, trucks, and full-size vans allocated to departmental pools, Company Equipment Assigned (CEA), General Services' pool and 24-hour assignments.

Metro's policy for Non-Revenue Passenger Vehicles (GEN 16) provides guidance to employees who use an NRV to carry out Metro business. The policy describes eligibility for vehicle assignments, reporting requirements for personal use, vehicle operation, use in ExpressLanes, reporting accidents, and traffic citations.

When Metro receives notification of ExpressLanes and traffic violations from their respective authority, they are reviewed and resolved by one of two departments, the Maintenance Administration or Fleet Management Department.

The Maintenance Administration (MA) Department, formerly called Non-Revenue Maintenance Department, receives all ExpressLanes violations issued to Metro. To properly assign responsibility for ExpressLanes violations, MA identifies the cost center based on the license number indicated on the ticket and distributes them to the supervisor, who identifies the driver responsible for payment of the violation. GEN 16 states, "*LACMTA funds may not be used for ExpressLanes tolls in the absence of a demonstrable business case.*"

MA also receives notifications of all NRVs that were involved in accidents which are then sent to outside vendors/body shops for repair. This is in accordance with the provisions of the Collective Bargaining Agreement with ATU, which requires subcontracting for "*Non-revenue body repair, radiator repair, upholstery, paint, and chassis work related to accident repairs.*"

The Fleet Management (FM) Department receives all traffic and parking citations for both revenue and non-revenue vehicles. FM identifies the cost center based on the license number indicated on the citation and forwards it to the supervisor, together with instructions to satisfy the citations. The supervisor then identifies the driver responsible for payment of the citation. GEN 16 policy states that employees are personally responsible for all traffic and parking citations. "*LACMTA will not reimburse for traffic and parking citations.*"

## **DISCUSSION**

### **Findings**

The Phase II audit found the following ten issues that warrant Metro management's attention and improvement:

1. Tickets and delinquent notices for ExpressLanes violations, amounting to \$35,443 from January 2020 to November 2022 (35 months), remain unpaid
2. ExpressLanes violations incorrectly paid through Metro's Purchase Card
3. Procedures in resolving citations not followed properly
4. No standard operating procedures in handling citations
5. Non-compliance with Purchase Card policy (card sharing)
6. Insufficient documentation for Purchase Card payments

7. Multiple bids for NRV repairs were not obtained
8. Invoice amounts higher than the original bids received and awarded
9. Incorrect expense account was used in some transactions
10. No standard operating procedures for accident-related repairs of NRVs

Operations Maintenance Administration, formerly called Non-Revenue Department, has implemented procedures in handling ExpressLanes violations and implemented some controls on accident-related repairs of non-revenue vehicles. The Fleet Management Department has also drafted procedures in handling traffic citations. However, staff found some issues that warrant Metro management attention to improve controls over NRVs.

The audit found some occasions when staff did not comply with the ExpressLanes usage policy because of oversight or unfamiliarity with Metro GEN 16 and Purchase Card policies. There were also a number of ExpressLanes tickets and delinquent notices which remained unresolved or unpaid for a long time.

Staff noted two instances where the use of an affidavit to transfer responsibility to pay citations for traffic tickets from Metro to the offending employee was not carried out properly.

For repairs of NRVs involved in accidents, processes, and controls can be improved in the areas of vendor selection and documentation. This is important to ensure that Metro obtains the most qualified vendor with the most reasonable repair cost.

The audit also found that Maintenance Administration and Fleet Management have not yet developed standard operating procedures (SOPs) that will serve as instructions for employee work processes and help achieve efficient operations for their departments. Staff reiterate the recommendation in a prior audit report, "Review of Metro Standard Operating Procedures" (21-AUD-04), dated February 10, 2021, that departments develop SOPs for all positions. This will be helpful in succession planning and facilitate institutional knowledge capture and transfer.

Maintenance Administration and Fleet Management should closely coordinate with ExpressLanes and other departments to clear all violations/citations in a timely manner, thus, reducing charges for outstanding citations. The Department Heads should remind their staff to comply with agency policies and procedures and review their respective department's processes for efficient and effective implementation.

### **Recommendations**

The Office of the Inspector General provided 31 recommendations to address the issues identified in this audit. Selected systemic recommendations from this audit include:

#### Transportation Divisions and Facilities/Property Maintenance

1. Continue to remind employees who drive NRVs in an ExpressLane without a legitimate business reason or a transponder are personally liable for any accumulated fees and tolls unless it is registered as an "Exempt" vehicle with the FasTrak program.

#### Central Electronics Maintenance Shops / Rail Fleet Services Maintenance / Maintenance Administration

2. Place payments for ExpressLanes violations on the prohibited purchases list with the bank so such payments are automatically declined.
3. Remind the P-Cardholder and Approving Official to comply with the Purchase Card policy; (i.e., ExpressLanes violations cannot be paid through Metro's P-Card). Direct them to take P-Card training within 30 days.

#### Fleet Management

4. Consider updating the provision on traffic and parking citations in Metro's GEN 16 policy to guide the employees accordingly. Add the requirement of completing the Affidavit of Non-Liability and other procedures concerning citations.

#### Maintenance Administration

5. Ensure that the winning bid is complete and accurate to avoid a supplementary invoice that may result in paying more than the other bids previously received.
6. Verify accuracy and completeness of invoices (e.g., breakdown of parts and materials) before making the payment.

### **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 Audit of Controls over Metro Non-Revenue Vehicles - Phase II (Report No. 23-AUD-05)

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