



## Board Report

File #: 2023-0722, File Type: Informational Report

Agenda Number: 6.

### FINANCE, BUDGET, AND AUDIT COMMITTEE JANUARY 17, 2024

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2023 TO MARCH 31, 2023**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2023 to March 31, 2023.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2023 to March 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.

#### **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.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2023 to March 31, 2023. For this period, miscellaneous expenses totaled \$2,395,157 with 623 transactions. We selected 54 expense transactions totaling \$1,134,346 for detail testing.

#### **DISCUSSION**

##### Findings

The miscellaneous expenses we reviewed for the quarter of January 1 to March 31, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues that were mostly related to business travels of Metro employees such as costly airfare due to travel arrangements made close to the event date, absence of a justification memo for lodging in excess of the allowable rate, and late submission of travel and business expense reports (TBE). Also, two employees failed to submit the required justification memos with their TBE reports for meals and use of a personal vehicle, as required by Metro policy.

The other issues we found were as follows: (a) Metro was overbilled in one invoice; (b) no written pre-approval prior to card purchase; (c) costly meals at a Metro event and invoice was paid after seven months; and (d) incorrect recording of transactions.

The staff non-compliance with the policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

## **RECOMMENDATIONS**

We recommend the following:

### **Communications (Marketing)**

1. Review the invoices thoroughly and verify the charges are accurate according to the contract.

### **Program Management (Program Control)**

2. The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

### **Communications (Public Relations)**

3. Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
4. Consider adopting standard rates for meals to be served during the events.
5. Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

### **Operations Engineering**

6. Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
7. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.
8. Require staff to submit Travel and Business Expense Reports in a timely manner.

### **Program Management (Alternative Delivery Construction Management)**

9. Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

**Corporate Safety**

10. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
11. Consider reimbursement to Metro for the overpayment of meals and lodging expenses to the employee.
12. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
13. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
14. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
15. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

**Program Management (Construction/Engineering)**

16. Require staff to submit TBE Reports in a timely manner.
17. Direct travelers to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65.

**Human Capital and Development (Workforce Services)**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.
19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.
20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging, and other expenses; also, inform them that they will be reimbursed only for what was approved.
21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
22. Require staff to submit Travel and Business Expense Reports in a timely manner.
23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65 - Metro Business Travel Guidelines.

**Human Capital and Development (Talent Development)**

24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Agency-Wide**

25. TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**FINANCIAL IMPACT**

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute to cost savings, efficiency, and better internal controls.

**EQUITY PLATFORM**

It is OIG's opinion that there are no equity considerations or impacts resulting from 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 Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04)

Prepared by: Asuncion Dimaculangan, Senior Auditor, (213) 244-7311  
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301  
George Maycott, Senior Director, Special Projects, (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

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

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**Statutorily Mandated Audit of**  
**Miscellaneous Expenses**  
**January 1, 2023 to March 31, 2023**  
**(Revised)**

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Report No. 24-AUD-04

January 8, 2024



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**DATE:** January 8, 2024

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

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

**E-SIGNED** by Yvonne Zheng  
on 2024-01-08 07:57:36 PST

**SUBJECT:** Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses  
January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04) *Revised*

## INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2023 to March 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 nine of the sampled expenses reviewed:

1. Metro paid an overbilled invoice
2. No written approval prior to P-Card Purchase
3. Costly meals at a Metro event, and invoice was paid after seven months
4. Costly airfare due to booking close to the event date
5. No justification memo for the use of personal vehicle
6. Claiming full per diem rate when meals were included in the conference
7. Metro paid for lodging expenses in excess of the allowable rate without a justification memo
8. Late submission of travel and business expense report
9. Incorrect recording of transactions

# Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2023 to March 31, 2023

Office of the Inspector General

Report No. 24-AUD-04

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## 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, Corporate Safety, Grants Management and Oversight, Marketing, Operations, Program Management, Public Relations, Talent Development and Workforce Services; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2023 to March 31, 2023. For this period, miscellaneous expenses totaled \$2,395,157<sup>1</sup> with 623 transactions. We selected 54 expense transactions totaling \$1,134,346 for detail testing. Thirty (30) of the expense transactions were randomly selected, five (5) were selected due to their large dollar amounts, and nineteen (19) were selected to add more samples for business 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, 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.

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<sup>1</sup> 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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## 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. Metro Paid an Overbilled Invoice

In January 2023, the Metro vendor Civilian billed Metro \$10,112.02 for its services in December 2022 for the FY23 GoPass Media Plan. However, our review revealed overbilling by Civilian who used the incorrect labor rate of \$127.25 per hour instead of \$123.60 per hour for one of its staff, resulting to overbilling of \$68.44.

We brought this to the attention of Marketing staff who reached out to Civilian. The vendor's Project Manager explained, "*I had just taken over billing at this time and it looks like I applied the incorrect rate.*" She added that she had issued a credit towards the current FY24 GoPass Full Plan.

Invoices should be reviewed and verified to ensure they are accurate and Metro is not overcharged.

### Recommendation:

#### Marketing

- Review the invoices thoroughly and verify the charges are accurate according to the contract.

### 2. No Written Pre-Approval Prior to P-Card Purchase

The P-Cardholder of Program Control paid Project Control Academy \$1,794 for online training on Power BI Visual Data Analytics and Forensic Schedule Delay Analysis. However, the payment was made on 11/22/2022 before obtaining the required written approval on 1/11/2023.

The P-Card policy 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 P-Cardholder explained that he received a request to pay the training from the head of Program Control. He stated that there was a Thanksgiving special and they needed to pay for it immediately to avail of the \$900 discount. He added, "*When the expense appeared in my bank statement, I noticed I didn't have a written approval so I asked for it later. I'm aware that I need to get approval before making a purchase, but unfortunately missed to attain one for that purchase beforehand.*"

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It is important to obtain a written pre-approval to ensure that all P-Card purchases are authorized and valid. A verbal directive should immediately be followed by a written approval.

**Recommendation:**

Program Control

- The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

**3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months**

On October 7, 2022, Metro and its community partners collaborated on the K Line opening event. Meals were provided for the volunteers and guests by Delicious Southern Cuisine on that day and on the following two days.

Prior to the opening event, Metro had a K Line event with the City Partners and 3<sup>rd</sup> Party Collaborators VIP on June 22, 2022. Meals were provided by the same vendor. However, we noted the following issues:

- The invoice was paid in January 2023, seven months after the event. In comparison, the invoices dated October 2022 were all paid on time.
- The cost of meal/dinner on June 22, 2022 was \$28.50 per head, which was much higher than the dinner served in October 2022 (\$19.00 per head)

For more details, see table below:

Date of Invoice	Invoice No.	Amount	Date Paid	Breakfast	Lunch	Dinner	Others	Service Charge	Sales Tax
6/22/2022	01/09/2023	6222022	4,727.83	01/20/2023	-	-	120 Pax @ \$28.50	25 1/2 Sandwiches @ \$10.00	\$ 700.00 \$ 357.83
10/7/2022	10/26/2022	10722	7,050.00	11/04/2022	115 Pax @ \$11.00	300 Pax @ \$12.00	115 Pax @ \$19.00	-	\$ - Included
10/8/2022	10/18/2022	10822	1,950.00	10/26/2022	65 Pax @ \$11.00	-	65 Pax @ \$19.00	-	- Included
10/9/2022	10/19/2022	10922	1,950.00	10/26/2022	65 Pax @ \$11.00	-	65 Pax @ \$19.00	-	- Included

The Public Relations staff stated that “*the cost of the meals was more per head because of what was served, salmon was the main course and it was dinner for VIP City Partners and 3rd Party Collaborators as well as Metro Executives.*”

We inquired if their department follows a standard cost for meals and the Assistant Public Communications Officer stated that he does not recall if there is one, and that the cost of meals depends on various factors such as the size of the event and the participants.

We also asked if there was a price quote received from the vendor prior to the event to validate the amount billed (i.e., to ensure that what was paid for was what was agreed upon); however, the employee stated that he was not involved in the solicitation of business. In addition, the official who approved the invoice is no longer with Metro. We contacted the vendor who stated by email that there was no quote given to Metro; but rather an invoice was given prior to the event.

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The Deputy Chief Customer Experience Officer who was recently hired in September 2023 stated that the invoice “*may have gotten “stuck” in [xxx’s] approval queue after her departure. We had several issues with invoices as well as staff timesheets approval once [xxx] departed the agency due to the computer systems not being updated in a timely manner.*”

The Department should monitor the expenses they incur during Metro events and ensure prompt payment. It will also help if there is more than one person who is responsible for an event or activity to avoid confusion if somebody leaves the agency.

### Recommendations:

#### Public Relations

- Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
- Consider adopting standard rates for meals to be served during the events.
- Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

#### **4. Costly Airfare Due to Booking Close to the Event Date**

The Executive Officer of Operations Engineering attended the APTA Conference in Seattle, Washington from October 9 to 12, 2022. He submitted his Travel and Business Expense (TBE) Report for \$3,221.74 with reimbursable expenses of \$1,416.16.

We noted that the flight was booked very close to the date of the event resulting in costly airfare. Based on the Travel Request/Authorization, the employee requested to attend the APTA Conference on 9/28/2022 which was approved by the Department Head and Chief on 10/04/2022 – five days before the event on 10/09/2022. His flight was booked in the Travel system on 10/06/2023 – three days before his flight. This resulted in costly airfare of \$705.58, which was almost triple the amount compared with the flight booked at least 30 days in advance. One employee who attended the same conference submitted the Travel Request/Authorization Form on 8/30/2022 and the airfare was only \$237.

In August 2023, FIN 14 was updated and was split into two separate policies: Non-Travel Business Expenses - FIN 14, owned by Finance; and Gen 65 - Metro Business Travel Guidelines, owned by Human Capital and Development, Travel Department.

Since the transactions we audited occurred before FIN 14 was updated or effective, we made the recommendations to address the above issues based on FIN 14 before the August 2023 update and effective for the period we reviewed.

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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.*”

The employee explained that the “*Travel office rejected his travel request on 10/04 due to missing the CEO signature.*”

The APTA conference is held annually and the Department Heads should plan early each year to avoid costly travel expenses when business travel is booked close to the event. The Travel Authorization Forms should be submitted and travel arrangements should be made as early as possible to obtain favorable and reasonable travel rates.

**Recommendations:**

Operations Engineering

- Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
- Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

**5. No Justification Memo for the Use of Personal Vehicle**

The Deputy Chief Program Management Officer attended the 2023 Western Winter Workshop in Pebble Beach, California from February 9 – 12, 2023. He submitted his TBE Report for \$3,007.87 with reimbursable expenses of \$2,007.87. We noted that the employee used his personal vehicle; however, no justification memo was submitted, as required in the policy.

Section 1.1.3 of FIN 14 states ... “*Use of a personal vehicle for travel must be requested in a separate justification memo.*”

Section 1.1.13 of FIN 14 states, “*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 their personal vehicle for non-local travel.*” Section 1.3.1 also states, “*Travelers must justify that other forms of transportation were not available.*”

We asked the employee if a justification memo was prepared and submitted and he explained, “*The travel was to Monterey, and the airfare was extremely expensive. Driving my personal vehicle was by far the most economical means to go to Monterey in the absence of a major airport. (The Travel Program Administrator] can confirm the exorbitant prices for airfare would have been far more expensive than driving my car. Further, there is no other way to get there via train or public transit*”.

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Section 1.1.13 of FIN 14 states, “*The Travel Program Administrator shall establish the amount of equivalent common carrier fare (air or rail) to be used as the limitation of reimbursable expenses when an employee requests to use a personal vehicle for travel. The Travel Program Administrator shall indicate these limitations on the TA form.*” However, while the TPA made inquiries as to the mode of transportation the traveler will use, we did not find any documentation such as the comparative cost of the plane fare or rail.

It is important that the traveler and the Travel Program Administrator comply with the said provisions of the policy to show that Metro pays for the most reasonable form of transportation. In the most recently updated Metro Business Travel Guidelines (GEN 65), Section 2.0 also addresses the use of a personal vehicle and states, “*Travelers must justify that other forms of transportation are not available, and may not use a personal vehicle without preapproval from their manager.*”

Although the policy was not strictly followed due to the absence of a justification memo, we acknowledge the efforts of the employees from Program Management and Workforce Services for selecting the lowest cost alternative for travel to the conference.

## **Recommendations:**

### Program Management (Alternative Delivery Construction Management)

- Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

### Workforce Services

- Ensure completeness of supporting documents including any justification memo, as required in the policy.

## **6. Claiming Full Per Diem Rate When Meals Were Included in the Conference**

The Senior Executive Officer of Risk, Safety, & Asset Management attended the APTA Mid-Year Safety Seminar in Phoenix, Arizona from December 4 to 7, 2022. He submitted his TBE Report on December 23, 2022 and it was approved on January 8, 2023 with total expenses of \$1,791.89 and reimbursable amount of \$1,084.38.

We noted that he claimed the full per diem rate on the TBE Report even when breakfast was provided in the conference, resulting in an overpayment of \$48.00. The employee explained that he “*did not eat breakfast at the seminar.*”

Section 1.2.3.2 of FIN 14 states, “*If the traveler is claiming the full per diem rate on the TBE Report when meals were included in the conference registration fees, the traveler shall prepare a justification memo and obtain Executive Officer approval.*”

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### Recommendations:

#### Corporate Safety

- Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
- Consider reimbursement to Metro for the overpayment of meal expenses.

#### Workforce Services

- Review the TBE Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.

### **7. Metro Paid for Lodging Expenses in Excess of the Allowable Rate Without a Justification Memo**

Our audit found that the Senior Executive Officer of Risk, Safety, & Asset Management referenced in item 7 above also did not submit a justification memo for lodging in excess of the allowable rate.

Based on the Travel Authorization (TA) Form submitted, the Travel office approved lodging for \$453 which was the allowable rate based on the U.S. General Services Administration per diem rate. The traveler booked lodging outside of the travel system and exceeded his approved expense for lodging at \$775. The traveler stated that he indicated the estimated amount of \$775 for lodging on the TA Form when he submitted it for approval; he did not know how it got changed to \$453.

The Manager of General Services explained the process to us: *“When a TA is submitted, an employee enters estimates to be considered for approval by their management. When that TA reaches the travel queue after having gone through workflow approval hierarchy, those values are subject to change. Once an employee coordinates their travel itineraries for airfare/lodging, or other items as requested, we attach those itineraries to the system. However, prior to attaching the confirmations, we must enter values in the “approved and/or actual costs” for each item. In this case, the TA for approved cost was based on the 3 nights at per diem of \$151/night. This is why the values changed when it got to the final approved TA.”* As a result, \$453 was approved, and not \$775.

The TA was approved by the Department Head and Chief on November 2, 2022 – one month before the travel date. The traveler should have reviewed the approved TA prior to booking and either book lodging at that rate or request additional money with a justification memo prior to travel, or absorb the additional lodging cost themselves. Regardless of what the employee submitted, the additional cost for lodging was not approved.



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It is important that the approving officials and the Travel Program Administrator review the Travel and Business Expense (TBE) Report thoroughly and address any issues or inconsistency that may be found on the report.

### Recommendations:

#### Corporate Safety

- Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
- Consider reimbursement to Metro for the overpayment of lodging expenses.

#### Workforce Services

- Notify travelers if their approved travel expense/Travel Authorization changes and is different than what the travelers submitted, so they may adjust their travel arrangements to authorized and approved travel costs for transportation, lodging, and other expenses. Also, inform them that they will be reimbursed only for what was approved.
- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

### 8. Late Submission of Travel and Business Expense Report

- a. The Senior Director of Program Management attended the APTA Transform Conference & Expo in Seattle, Washington from October 9 to 12, 2022. She submitted her Travel and Business Expense (TBE) Report with a reimbursable amount of \$486.95 on 12/22/2022, more than one month later. It was approved by the Department Head and Chief on 12/23/2022 and by the Chief Executive Officer on 1/17/2023.

The employee explained, “*Submittal of the TBE was overlooked due to demands on the Westside Purple Line Extension Section 3 project. Especially during the latter part of last year, there were many design submittals for review/resolution/approval and contract change negotiations on top of meetings and managing consultants.*”

- b. The Executive Officer of Operations Engineering referenced in item 4 above initially submitted his TBE Report on 11/09/2022, but the report was finalized on 2/13/2023 – three months later. FIN 14 policy requires that the “*TBE Report must be completed, approved*

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*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, “*Reimbursement was late due to issue of missing hotel receipts.*” 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.*”

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:**

#### Program Management (Construction Engineering) and Operations Engineering

- Require staff to submit TBE Reports in a timely manner.
- Direct travelers to read, review and comply with all the provisions of Metro’s FIN 14 policy, now updated as GEN 65.

### **9. Incorrect Recording of Transactions**

We reviewed the Purchase Card (P-Card) statement of Safety (Cost Center 6810) for December 2022 and noted that payments for professional certification were erroneously recorded to account # 50912 – Employee Professional Membership, instead of account # 50999 – Miscellaneous Expenses – Others.

The P-Cardholder paid the renewal fees for certification of four employees at Corporate Safety for a total amount of \$760. The payments were supported by Professional Membership forms which were approved by the Department Head and Talent Development. The justification on the form indicated that the fee was “*for professional certification, not a professional membership.*” However, the Professional Membership form is not required for professional certification; it is only required for professional membership. This is a common misunderstanding because many organizations require membership for certification and may even combine the payments for both into one charge.

The P-Cardholder explained that she just followed the instructions of the former Director of Construction Safety.



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### Recommendations:

#### Corporate Safety

- The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
- The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

#### Talent Development:

- Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

## OBSERVATIONS

#### Ground Transportation Claimed Twice

The Senior Manager of Mobility Corridors Team attended the Transit Research Board Conference in Washington, D.C. from January 8 to 12, 2023. He submitted his Travel and Business Expense (TBE) Report for \$3,019.96 with reimbursable expenses of \$1,578.48.

We noted that he was reimbursed \$11.70 for his Lyft ride from Union Station to his residence on January 12, 2023. (He took the Fly Away from LAX to Union Station.) However, he also claimed \$11.79 for mileage on the same day.

The employee explained that he inadvertently entered the mileage on January 12, 2023 on his TBE Report and acknowledged this error. He reimbursed Metro \$11.79 on October 17, 2023 for this overpayment.

While we acknowledge the employee's efforts to save on his travel expenses by taking the Fly Away and the amount involved is minimal, it is important to review the TBE Report and the supporting documents to ensure accuracy of the expenses incurred by the travelers.

#### Return of Unused Grant Funds

We also noted that Metro returned unused grant funds of \$751,338.81 to the California Office of Emergency Services (CalOES). This was charged to Miscellaneous Expenses – Others (account # 50999).

Based on the documents we obtained, this amount was the balance of unused Prop 1B Security Grant Awards. In his memo dated March 15, 2023, the Manager of Transportation Planning stated, "*Between 2007 and 2017, Metro was awarded funds from the California Transit Security Grant*

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*Program – California Transit Assistance Fund under the Prop IB program to fund multiple Metro Security Projects. The period of performance to spend these funds expired on March 31, 2022, with a close out period that ended June 30, 2022.*” The total grant award was \$157,809,784 with a remaining balance of \$751,338.81.

The Manager of Transportation Planning provided us with a copy of the report issued by Metro’s Management Audit Services (Special Review of the Metro Center Project, Report No. 23-CON-P01 dated February 28, 2023). The review was conducted at the request of the Office of the Chief Executive Officer. According to the report, the unused fund was caused by various factors such as a delay in “*formal project management which started three years late in 2014 and did not appear to follow the critical path until the 4 1/2 year mark. Over two years was lost to apparent inactivity.*” There was also a delay in preliminary engineering, design/build procurement and there were construction schedule challenges including contractor’s design delays, pandemic-related supply chain issues and labor shortages. Management Audit Services provided 14 recommendations which were aimed to improve efficiency in project management practices and communication among various Metro department related to grant funding matters.

It is important that Metro maximize any grant funds it received and use it for the designated security projects. As stated in Metro’s Vision 2028 Goal 5.2, “Metro will exercise good public policy judgment and sound fiscal stewardship.” monitor the implementation of the agreed upon recommendations provided by Management Audit Services in their report 23-CON-P01.

## **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 Q3) versus Prior Quarter (FY23 Q2) Miscellaneous Expenses**

Miscellaneous expenses this quarter posted a minimal decrease of \$165K or 6% compared to the prior quarter. The increase in other expenses (account # 50999) of \$794K was offset by the combined decrease in advertising, business meals, and corporate membership, among others.

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**Table 1: Reviewed the Quarter versus Prior Quarter**

Account	Jan-Mar 2023	Oct-Dec 2022	Increase (Decrease)
Advertising	\$ 766,359	\$ 1,356,575	\$ (590,216)
Business Meals	65,915	248,725	(182,810)
Business Travel	51,163	133,170	(82,007)
Corporate Membership	152,273	263,764	(111,491)
Employee Relocation	0	74,258	(74,258)
Professional Membership	18,381	11,975	6,406
Seminar and Conference Fee	124,062	65,873	58,189
Miscellaneous (50999) *	1,188,434	394,017	794,417
Others (Mileage and Parking, etc.)	28,570	11,779	16,791
<b>Total</b>	<b>\$ 2,395,157</b>	<b>\$ 2,560,136</b>	<b>\$ (164,979)</b>
<b>Decrease</b>			<b>-6%</b>

*\* 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)*

**b. Reviewed Quarter (FY23 Q3) versus Same Quarter of Prior Year (FY22 Q3)  
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter significantly increased by \$1.6 million or 215% as compared to the same quarter of FY 22. This was mainly due to the increase of almost \$600K in advertising and \$931K in other miscellaneous expenses (account # 50999).

Advertising for the quarter January to March 2023 was \$766K compared with only \$172,588 for the same quarter of 2022. This was because the bulk of advertising expense last year (\$3 million) was recorded in the last quarter of Fiscal Year 2022.

Account # 50999 significantly increased from \$257K to \$1.2 million mainly because of \$751K unused grant fund returned by Metro to California Office of Emergency Services. See Table 2.

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**Table 2: Reviewed the Quarter versus Same Quarter of Prior Year**

Account	Jan-Mar 2023	Jan-Mar 2022	Increase (Decrease)
Advertising	\$ 766,359	\$ 172,558	\$ 593,801
Business Meals	65,915	18,883	47,032
Business Travel	51,163	22,014	29,149
Corporate Membership	152,273	192,334	(40,061)
Employee Relocation	0	0	0
Professional Membership	18,381	12,483	5,898
Seminar and Conference Fee	124,062	64,788	59,274
Miscellaneous (50999) *	1,188,434	256,790	931,644
Others (Mileage and Parking, etc.)	28,570	19,538	9,032
<b>Total</b>	<b>\$ 2,395,157</b>	<b>\$ 759,388</b>	<b>\$ 1,635,769</b>
<b>Increase Over Same Quarter of Prior Year</b>			<b>215%</b>

**c. April 2022 to March 2023 versus April 2021 to March 2022**

Miscellaneous expenses of \$10.2 million for the period April 2022 to March 2023 increased by \$4.1 million or 67% as compared with \$6.1 million for the period April 2021 to March 2022. All expense accounts increased, except for Corporate Membership. See Figure 1.

**Figure 1: Miscellaneous Expenses per Quarter  
April 2022 to March 2023 versus April 2021 to March 2022**



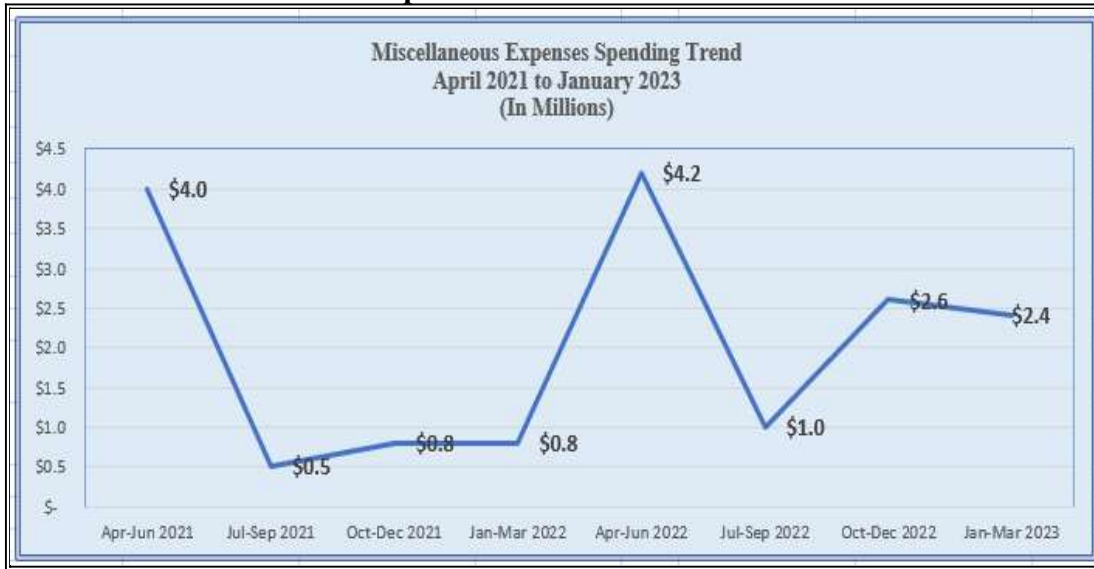
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Figure 2 shows the spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend  
April 2021 to March 2023**



As shown in the above chart, miscellaneous expenses were highest during the last quarter of each fiscal year. This was due to accrual of expenses, mainly advertising, in June of each fiscal year. For the quarters ended June 30, 2021 and 2022, advertising expense amounted to \$3.2 million and \$3 million, respectively, which were 80% and 71% of the total miscellaneous expenses for the reviewed quarters.

Miscellaneous expenses every quarter were higher during the last four quarters (April 2022 to March 2023) than the miscellaneous expenses for the previous four quarters (April 2021 to March 2022), as shown in Figure 2, indicating Metro operations are starting to go back to pre-pandemic level.

## **CONCLUSION**

The miscellaneous expenses we reviewed for the quarter of January 1 to March 31, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues that were mostly related to business travels of Metro employees such as costly airfare due to travel arrangements made close to the event date, absence of a justification memo for lodging in excess of the allowable rate, and late submission of travel and business expense report. Also, two employees failed to submit the required justification memos with their TBE reports for meals and use of a personal vehicle, as required by Metro policy.

The other issues we found were as follows: (a) Metro was overbilled in one invoice; (b) no written pre-approval prior to card purchase; (c) costly meals at a Metro event and invoice was paid after seven months; and (d) incorrect recording of transactions.

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The staff non-compliance with the policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

### RECOMMENDATIONS

We recommend the following:

#### **Communications (Marketing)**

1. Review the invoices thoroughly and verify the charges are accurate according to the contract.

#### **Program Management (Program Control)**

2. The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

#### **Communications (Public Relations)**

3. Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.
4. Consider adopting standard rates for meals to be served during the events.
5. Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

#### **Operations Engineering**

6. Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.
7. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.
8. Require staff to submit Travel and Business Expense Reports in a timely manner.

#### **Program Management (Alternative Delivery Construction Management)**

9. Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.



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### **Corporate Safety**

10. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.
11. Consider reimbursement to Metro for the overpayment of meals and lodging expenses to the employee.
12. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.
13. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.
14. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.
15. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

### **Program Management (Construction/Engineering)**

16. Require staff to submit TBE Reports in a timely manner.
17. Direct travelers to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65.

### **Human Capital and Development (Workforce Services)**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.
19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.
20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging, and other expenses; also, inform them that they will be reimbursed only for what was approved.
21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

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- 22. Require staff to submit Travel and Business Expense Reports in a timely manner.
- 23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65 – Metro Business Travel Guidelines.

**Human Capital and Development (Talent Development)**

- 24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Agency-Wide**

- 25. TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On November 17, 2023, we provided Metro Management our draft report. On December 5, 2023, Metro Management submitted their responses summarizing their corrective actions. On January 5, 2024, we received revised responses from four departments. 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  
January 1, 2023 to March 31, 2023**

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 24,607	\$16,187
50903	Business Meals	65,915	14,290
50905	Corporate Membership	152,273	60,288
50908	Employee Relocation <sup>2</sup>	0	0
50910	Mileage and Parking	3,963	459
50912	Professional Membership	18,381	4,685
50914	Schedule Checkers Travel <sup>2</sup>	0	0
50915	Seminar and Conference Fee	124,062	3,430
50917	Business Travel	51,163	15,405
50918	Advertising	766,359	215,836
50930	Employee Activities & Recreation <sup>2</sup>	0	0
50999	Other Miscellaneous Expenses	<u>1,188,434</u>	<u>803,766</u>
	<i>Total</i>	<u><b>\$2,395,157</b></u> <sup>3</sup>	<u><b>\$1,134,346</b></u>

<sup>2</sup> No expenses incurred for this quarter.

<sup>3</sup> 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

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**Metro**

### Interoffice Memo

<b>Date</b>	January 4, 2024
<b>To</b>	Yvonne Zheng, Sr. Manager, Audit Office of Inspector General
<b>From</b>	Jennifer Vides, Chief Customer Experience Officer 
<b>Subject</b>	Audit Memo – Metro Miscellaneous Expenses January 01, - March 31, 2023

The Customer Experience department has received and reviewed the audit findings and recommendations regarding item 1: “Metro Paid an Overbilled Invoice.” and Item 3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months”. We followed up with staff to discuss the findings that have put together our response below for your review.

#### Item 1: Metro Paid an Overbilled Invoice

The project manager from our media agency Civilian did not do a thorough review of the December 2022 invoice for the FY23 GoPass Media Plan, which totaled \$10,112.02, before submitting it to Metro AP. The Civilian project manager used the incorrect labor rate of \$127.25 per hour instead of \$123.60 per hour for one of its staff, resulting in overbilling of \$68.44. As stated in the report, the Civilian project manager had recently assumed responsibility for billing and mistakenly applied the incorrect rate and Metro Marketing missed the discrepancy in its review of the invoice. Once the problem was discovered, Civilian issued a credit toward the current FY24 GoPass plan.

We concur with the report’s recommendation. Immediately following the inquiry from Audit about this invoice on Monday October 16, 2023, Marketing instituted the following safeguards to ensure staff reviews invoices thoroughly and verifies the charges are accurate according to the contract. These steps included:

- Staff refined the process in Asana (project management tool/software used by marketing) to track and review invoices. When Civilian uploads the invoices in Asana, the Marketing manager and partner lead (department paying for the ads) are tasked with reviewing and double-checking the bills for both accuracy and compliance with the contract. Only once the invoice is thoroughly reviewed and approved does Civilian submit the invoices to AP for payment processing.
- Metro Marketing conducts a quarterly invoice review with Civilian to assess alignment with the proposed annual budget and tracking allocated expenditure.
- Metro Marketing also created a departmental status report on current and incoming invoices in

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addition to the existing encumbrance report.

**Item 3: Item 3. Costly Meals at a Metro Event, and Invoice Was Paid After Seven Months**

On October 7, 2023, Metro Public Relations collaborated with community partners for the K Line opening event. Meals were provided for volunteers and guests by Delicious Southern Cuisine on that day and on the following two days.

Prior to that date, on June 22, 2022, Metro hosted a VIP K Line event with City Partners and 3<sup>rd</sup> party collaborators where the same vendor, Delicious Southern Cuisine, also provided the meals. The June invoice was not paid until January 2023, seven months after the event. In addition, the audit found that the cost of a meal/dinner on June 22, 2022, was \$28.50 per person which was higher than the dinner served in October 2022 at \$19 per person.

When contacted about the invoice, the public relations staff stated that *“the cost of the meals was more per head because of what was served, salmon was the main course, and it was dinner for VIP City Partners and 3<sup>rd</sup> Party Collaborators as well as Metro executives.”*

During the audit process, it was discovered that there is no Standard Operating Procedure for the costs of meals at events. In addition, due to the departure of the department head during the time when the audit was conducted, the audit team contacted the assistant public communications officer who worked with her, who stated that he was not involved in the solicitation of the meals. When the Metro Audit team reached out to the vendor directly to learn more about the process, the vendor stated in email that there was no quote provided to Metro, but rather an invoice was submitted prior to the event.

When Deputy Chief, Customer Experience, who was hired in September 2023, was contacted about the invoice, she stated that the invoice *“may have gotten stuck in (former EO, Communications) approval queue after her departure as we had several issues with invoices as well as staff timesheets after (former EO of Communications) departure due to the computer systems not being updated in a timely manner.”*

We concur with the report’s recommendations.

Following the K Line events, and as the late invoices were discovered following the departure of the previous Executive Officer, the Deputy Chief of Customer Experience began investigating the issue, which included reaching out to event vendors to identify any other missing and unpaid invoices, and getting them paid. Through that process, in the Spring of 2023, the team set up new processes to ensure more effective tracking of invoices.

- Required that all invoices for each event were submitted within two weeks after the event takes place and conducted aggressive follow-up to ensure timeliness.
- For each event, PR creates a tracking document of all event vendors to ensure the team is effectively tracking invoicing from all vendors – both small and large
- Monthly and quarterly reviews of all PR expenses began effective January 1, 2024.



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Specific to the cost of meals served at Metro events:


- Develop an SOP for meals served at Metro events. This SOP will be finalized by January 12, 2024. It will include:
  - Guidelines for obtaining cabinet-level chief officer or designee approval on including food/beverage at events
  - Requirement to obtain written approval from cabinet-level office or designee on written vendor quote
  - Setting a standard of using GSA per diem rates as the standards for cost per person for any events with food/beverage
  - Require written approval by the Office of the CEO of any food/beverage estimates that are projected to exceed the GSA per diem guidelines
  - Requiring minimum of three bids for food/beverage to ensure that Metro obtains the most reasonable rates.
  - Requirement of project/event lead to update the cabinet-level chief officer of any guest count changes that will impact the projected budget

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**Metro**

# Interoffice Memo

Date	January 4, 2024
To	Yvonne Zheng Sr Manager, Audit
From	Darcy Buryniuk Chief Program Mgmt Officer 
Subject	Response to OIG Audit No. 24-AUD-04

The Office of Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from January 1, 2023 – March 31, 2023. Although OIG found that the sampled transactions generally complied with Metro policies, several issues were identified. Therefore, the actions below will be taken by Program Management to comply with the audit recommendations.

Recommendation #2: The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved and remind the P-Cardholder about the policy.

Management Response: A memo will be issued by the Chief Program Management Officer reminding P-Card holders that all P-Card purchases require pre-approval by the Approving Official and Business Coordinator and will remind P-Cardholders to review the P-Card policies.

Completion Date: January 6, 2024

Recommendation #9: Remind travelers to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

Management Response: A memo was issued by the Chief Program Management Officer reminding staff to submit a justification memo prior to travel when requesting the use of a personal vehicle.

Completion Date: November 30, 2023

Recommendation #16: Require staff to submit Travel and Business Expense (TBE) Reports in a timely manner.

Management Response: A memo was issued by the Chief Program Management Officer reminding staff to submit Travel and Business Expense Reports timely.

Completion Date: November 30, 2023

Recommendation #17: Direct travelers to read, review, and comply with all the provisions of Metro’s FIN 14 policy, now updated as GEN 65.

**Management Comments to Draft Report**

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Management Response: A memo was issued by the Chief Program Management Officer reminding staff to comply with the provisions of Metro's GEN 65 policy. In addition, Program Management Executive Office in collaboration with Metro's Travel Office provided Travel and Business Expense Training sessions on FIN 14/GEN 65 on September 29 and October 17, 2023.

Completion Date: November 30, 2023

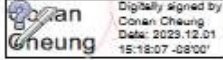
Please contact me at x22250 if you would like to discuss or require additional information.

## Management Comments to Draft Report



Metro

## Interoffice Memo

Date	December 1, 2023	
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)	
From	Conan Cheung Chief Operations Officer	
Subject	24-AUD-04 Management Response to Audit of Metro Misc. Expenses January 2023 – March 2023	

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from January 1, 2023 – March 31, 2023. Although OIG found that the sampled transactions generally complied with Metro policies, several issues were identified. Therefore, the actions below will be taken by Operations to comply with the audit recommendations:

**Recommendation #6:** Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.

**Management Response:** Department managers will check employee travel submittals and obtain approval within 5 business days. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #7:** Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

**Management Response:** Department managers will issue a memo to employees to ensure that all travel plans are submitted 30 days in advance per Travel Policy Section 1.1.7 of FIN 14. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #8:** Require staff to submit Travel and Business Expense Reports in a timely manner.

**Management Response:** Department managers will issue a memo to employees to ensure that all travel expenses are submitted within 30 days of their return-to-work date. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the

**Management Comments to Draft Report**

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future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

**Recommendation #25:** TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

**Management Response:** Department managers will issue a memo for P-Card approval to monitor activities on the P-Card before submitting proper documentation to the business unit's Chief for approval. Operations will be creating a Dos and Don'ts document to provide guidance and suggestions on how to avoid travel issues in the future. This document will be appended to the Operations Pre-TA form required for each travel request.

**Completion Date:** January 31, 2024

CC: Conan Cheung  
Errol Taylor  
Diane Corral-Lopez  
Chris Reyes  
Kelvin Zan


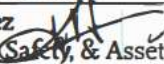


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**Metro**

### Interoffice Memo

Date	November 30, 2023
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Gina Osborn Chief Safety Officer 
From	Kenneth Hernandez Deputy Chief Risk, Safety, & Asset Management Officer 
Subject	Revised Statutorily Mandated Audit of Miscellaneous Expenses January 1, 2023, to March 31, 2023 (Report No. 24-AUD-04)

This memo responds to the recommendations for sections 6, 7, and 9 in the subject report as they relate to the Risk, Safety, and Asset Management (RSAM) Department.

#### Section 6: Claiming Full Per Diem Rate when Meals were included in the Conference

##### Recommendations:

1. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.

##### *Response*

- The RSAM Department agrees with this recommendation. As recommended, for all future travel, a memo will be included as part of the Travel and Business Expense Report (TBE) in compliance with Section 1.2.3.2 of FIN 14, if the traveler is claiming full per diem rate when meals are included in the conference.
2. Consider reimbursement to Metro for the overpayment of meal expenses.

##### *Response*

- Employee will reimburse Metro a total of \$48.00 for the overpayment of meal expenses by January 19, 2024.

#### Section 7: Metro Paid for Lodging Expenses in Excess of the Allowable Rate without a Justification Memo

##### Recommendations:

1. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.

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### *Response*

- The RSAM Department agrees with this recommendation. The approval for lodging rates that exceed the allowable rates will be included in the justification memo that is submitted as part of the Travel Authorization for all future travel.
2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

### *Response*

- The RSAM Department agrees with this recommendation. The Deputy Chief of Risk, Safety and Asset Management has implemented an internal review process before TBE reports are submitted for approval to ensure compliance with FIN 14.
3. Consider reimbursement to Metro for the overpayment of lodging expenses.

### *Response*

- Employee will reimburse Metro a total of \$322.00 for the overpayment of lodging expenses by January 19, 2024.

## **Section 9: Incorrect Recording of Transactions**

### **Recommendations:**

1. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.

### *Response*

- The RSAM Department agrees with this recommendation. The P-Cardholder and the Approving Official will ensure that transactions are recorded to the correct accounts going forward.
2. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

### *Response*


- The RSAM Department agrees with this recommendation. The P-Cardholder understands that the Professional Membership form is not required for professional certification and will therefore not require it going forward.

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**Metro**

### Interoffice Memo

Date	January 4, 2024
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 January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04)

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**

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo, that all supporting documents are included with a travel request prior to final approval.

Completion date: February 1, 2024

19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo, that when TBE reports are reviewed, expense reports are accurate, and documents are complete.

Completion date: February 1, 2024

20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging,



## Management Comments to Draft Report



## Metro Interoffice Memo

and other expenses; also, inform them that they will be reimbursed only for what was approved.

**Response:** Staff will investigate this further. The current system does not allow for automatic notifications as travel approvals for lodging are based on GSA per diems and approved cost is based on that nightly rate. Any rate above is considered an exception. A Travel Request may reflect estimated numbers based on reservations secured or pending to be booked by the traveler, even if it exceeds per diem. Lodging value reflects GSA per diem rate for destination. Any amount above that is considered exception and thus requires additional approval supported by "over lodging per diem exception approval". Airfare and train tickets reflect actual cost prepaid. Although train may remain slightly more consistent, airfare prices fluctuate throughout the day and thus will vary from the initial estimated amount at time of submittal, to ticketed flight. If receipts for lodging vary by more than ten percent of the approved rate regardless of per diem, staff will require employees to cover the difference.

An upgrade to the travel management system is scheduled to Go-Live on July 1, 2024, and staff will investigate features available that may provide notifications to travelers and update this response.

Completion date: July 1, 2024

21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.

**Response:** Staff concurs with the recommendation and will issue a Reminder Memo. that when TBE reports are reviewed by the Travel Office approvers, expense reports are accurate, and documents are complete. For approvers identified in the expense report hierarchy by the traveler, the Travel Office offers monthly trainings for all Metro employees to familiarize them with the Metro travel system, the online booking system (Concur) process, and the policy overview. Staff will work collaboratively with the Operations Department to include their "Dos and Don'ts Memo" referenced in their response are incorporated into the training. The Travel Office will continue to work closely with approvers as questions arise through the approval process.

Completion date: February 1, 2024

Management Comments to Draft Report

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Metro

## Interoffice Memo

22. Require staff to submit Travel and Business Expense Reports in a timely manner.

**Response:** Staff concurs with the recommendation. TBE reminders were fully implemented during the first quarter of FY23 to remind travelers to submit TBE reports according to policy. Notifications were implemented as reminders for travelers to submit an expense report within 30 days post travel, to ensure compliance with policy. Four notifications were implemented to send reminders on 1<sup>st</sup> day post travel, a 2<sup>nd</sup> reminder on day 15, 3<sup>rd</sup> reminder on day 25, with 4<sup>th</sup> and final reminder on day 31 post. Travel indicating that late reimbursements must be approved by the CEO or the CEO's designee, per policy.

Completion date: January 15, 2024

23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN-65 – Metro Business Travel Guidelines.

**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 Travel Office offers monthly trainings for all Metro employees to familiarize them with the Metro travel system, the online booking system (Concur) process, and the policy overview. In addition, the travel office works closely with travelers and/or approvers as questions arise through the travel process.

Completion date: ongoing

24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

**Response:** Staff concurs with the recommendation and will develop a checklist for staff, that includes Professional Membership forms are used only for professional memberships and will not be used for professional certifications.

Completion date: February 1, 2024

**Final Report Distribution**

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Deputy Chief Vendor/Contract Management Officer  
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# Audit of Miscellaneous Expenses January 1 to March 31, 2023

OIG Report No. 24-AUD-04  
Karen Gorman, Inspector General

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January 17, 2024



# Objectives

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 are adequate to ensure that expenses are documented and accounted for properly.



## Results of Audit

- Staff generally complied with Metro policies and procedures; but we found nine exceptions mostly related to business travels such as :
  - Costly airfare due to travel arrangements made close to the event
  - Failure to submit justification memo for lodging in excess of the allowable rate and use of personal vehicle
  - Late submission of Travel and Business Expense Reports
- Metro paid an overbilled invoice; and
- No written pre-approval of P-Card purchase
- ❖ OIG provided **25** recommendations.

