



Board Report

File #: 2024-0402, File Type: Informational Report

Agenda Number: 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 18, 2024

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2023 TO SEPTEMBER 30, 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 July 1, 2023, to September 30, 2023.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2023 to September 30, 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 July 1, 2023 to September 30, 2023. For this period, miscellaneous expenses totaled \$1,743,653 with 436 transactions. We selected 69 expense transactions totaling \$1,218,890 for detail testing.

DISCUSSION

FINDINGS

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of overbilling by two vendors. We also found higher cost of airfare because the request to travel was made too close to the event.

Other findings include (a) late submission of Travel and Business Expense Report, (b) 2021 corporate membership paid in Fiscal Year 2024, (c) delinquency fee on professional license reimbursed to the employee, and (d) no written pre-approval for a payment made through a Purchase Card. We also noted that the cost of meals at the annual workshop was higher than the per diem for Los Angeles.

Employees should be reminded to review the invoices thoroughly, plan early for their business travel, and adhere to all Metro policies and procedures.

RECOMMENDATIONS

We recommend the following:

Marketing

1. We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

Office of Board Administration

2. Review the invoices thoroughly and verify that all charges are proper and accurate.
3. Require the vendor to submit the invoice promptly, as orders are delivered.

System Security and Law Enforcement

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

Program Management (Alternative Delivery/Construction Management)

6. Management should monitor the submission of the Travel and Business Expense Reports of their staff.
7. Require staff to submit Travel and Business Expense Reports in a timely manner, according

to policy

8. Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.
9. Management should plan and identify conference attendees early to obtain early bird registration discounts.

Workforce Services

10. Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Program Management, Construction & Engineering

11. Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

12. Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, should be disallowed or not.
13. Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 - Prohibited Expenses

Talent Development

14. Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Operations

15. Consider establishing standard rates for business meals that are aligned with the GSA rates.
16. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Executive Office Countywide Planning and Development

17. Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.
18. Consider posting the membership date and organization in each employee's training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Office of the Chief of Staff

19. Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when applicable.

Customer Programs and Services

20. Remind the P-Cardholder and approver about the policy of securing a written pre-approval prior to purchases.
21. The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

EQUITY PLATFORM

It is OIG's opinion that there is 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 July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

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**

**Statutorily Mandated Audit of
Miscellaneous Expenses
July 1, 2023 to September 30, 2023 (Revised)**

Report No. 24-AUD-07

July 3, 2024



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Metro

DATE: July 3, 2024

TO: Metro Board of Directors
Metro Chief Executive Officer

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

E-SIGNED by George Maycott
on 2024-07-03 17:24:20 PDT

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)(**Revised**)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1 to September 30, 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 eleven of the sampled expenses reviewed:

1. Payment of overbilled invoices for advertising
2. Payment of a duplicate bill for business meals
3. Higher cost of airfare due to travel requests made less than a week before the travel date
4. Late submission of Travel and Business Expense (TBE) Report
5. Reimbursement of delinquency fee on employee's professional license
6. The cost of meals at the annual workshop was higher than the per diem for Los Angeles
7. A 2021 Corporate membership fee paid in Fiscal Year 2024 and non-compliance with the Corporate Membership Policy
8. No written pre-approval of P-Card purchase

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July 1, 2023 to September 30, 2023

Office of the Inspector General

Report No. 24-AUD-07

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, Countywide Planning and Development, Customer Programs and Services, Marketing, Office of Board Administration, Operations, Program Management, Talent Development, and Transit Security; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of July 1, 2023, to September 30, 2023. For this period, miscellaneous expenses totaled \$1,743,653¹ with 436 transactions. We selected 69 expense transactions totaling \$1,218,890 for detail testing. Thirty (30) of the expense transactions were randomly selected, nine (9) were selected due to their large dollar amounts, and thirty (30) were selected to add more samples for business meals 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 policies, procedures, or guidelines.

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

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

RESULTS OF AUDIT

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

1. Payment of Overbilled Invoices for Advertising

Metro has a contract with Civilian for advertising and communication services, which includes the following tasks: media strategy and planning, analytics and insights, digital creative development, and administration and billing services. Civilian bills Metro at various rates based on labor categories.

Our review disclosed overbilling in four invoices for a total amount of \$85.63. We informed the Director of Social Media who reached out to Civilian. The vendor explained that the errors were "*due to new staffing or high turnover rate.*" A credit for \$85.63 was issued to Metro on April 3, 2024.

In our previous audit report dated January 8, 2024, "Audit of Miscellaneous Expenses, January 1 to March 31, 2023 (24-AUD-04)," we found that Metro was overbilled by Civilian for \$68.44 in one invoice. Civilian explained that their new Billing staff inadvertently used the incorrect rate. The vendor issued a credit to Metro.

The amounts involved may not be material, but Metro staff should ensure that all invoices are reviewed for accuracy prior to payment.

Recommendation:

Marketing

- We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

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2. Payment of a Duplicate Bill for Business Meals

The Purchase Card (P-Card) statement for July 2023 of the Office of Board Administration included charges of \$1,574.50 for meals provided to Board members and staff working through lunch during Board and committee meetings.

Our review disclosed that Trimana, the vendor, billed Metro twice for the meals delivered during the committee meeting on June 15, 2023. Invoice number 671 for \$155.76 was dated June 15, 2023, and paid on June 22, 2023. Invoice number 672 for \$160.64 was also dated June 15, 2023, and paid on July 20, 2023. Both invoices had the same invoice date, delivery date, time, and delivery place. The amount in the second invoice was different because it incorrectly included one additional food item.

The P-Cardholder stated, *“Trimana’s billings vary - sometimes they send me the invoices right after the catering and other times, they send them to me weeks later.”* Invoice number 672 was received after several weeks, and the P-Cardholder explained that she *“made the mistake of assuming that a different invoice number meant billing for another date.”* Upon our inquiry, she disputed the second invoice, and the vendor issued a credit of \$160.64 to Metro on March 28, 2024.

The P-Cardholder should instruct the vendor to submit the invoices promptly, as they deliver the meals. All invoices should be reviewed thoroughly and checked for repeated or duplicate invoicing, accuracy of amount, and completeness of order to ensure that Metro pays for goods or services that were actually received.

Recommendations:

Office of Board Administration

- Review the invoices thoroughly and verify that all charges are proper and accurate.
- Require the vendor to submit the invoice promptly, as orders are delivered.

3. Higher Cost of Airfare Due to Travel Requests Made Less than a Week Before the Travel Date

Three personnel from System Security and Law Enforcement (SSLE) traveled to New York and New Jersey for the Transit Peer Exchange from June 11 to 15, 2023. However, the request to travel/justification memo was dated June 5, 2023 – six days before their departure. This resulted in costly airfare, as shown below:

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Title	Date of Travel Authorization (TA)	TA Approved	Airfare
Transit Security Lt.	6/7/2023	6/8/2023	\$ 743.09
Senior Manager	6/5/2023	6/5/2023	771.88
Deputy Exec. Officer	6/5/2023	6/5/2023	526.80
Total Airfare for Three Employees			\$ 2,041.77

Based on our research, the cost of a round-trip ticket to New York or New Jersey ranges from \$300.00 to 400.00 if booked at least 30 days before the travel date.

The Deputy Executive Officer of SSLE explained, *“The initial planning and coordination of the combined Fact Finding visit to New York MTA and New Jersey Transit began May 9, 2023. Though New York MTA planning was confirmed, New Jersey Transit took a longer duration to confirm visit and participation logistics (May 30th). All activities were not finalized until June 8th. ”*

Section 1.1.7 of the Travel and Business Expense policy, (FIN 14, now GEN 65), states, “Travelers should make arrangements 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.

Notwithstanding the circumstances mentioned above, management should plan early on and make allowances for unforeseen events to ensure that travel arrangements can be made as early as possible and obtain the most favorable and reasonable travel rates. This will avoid costly travel expenses when travel is booked close to the event.

Staff should comply with the new Travel and Business Expense policy (GEN 65), effective August 2023, which states, *“The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date.”*

Recommendations:

System Security and Law Enforcement

- Management should plan and obtain approval for travel 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.

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4. Late Submission of Travel and Business Expense (TBE) Report

The Deputy Executive Officer of Project Management attended the APTA Transform Conference in Seattle, Washington from October 9 to 12, 2022. He submitted his TBE Report for \$2,715.63 on March 2, 2023 – almost five months later. It was approved by his Department Head, Department Chief, and the CEO in July 2023.

The Travel and Business Expense policy (GEN 65, formerly FIN 14) requires that the *“TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

The employee explained that he electronically submitted his TBE Report on time on November 1, 2022 but was rejected on November 14, 2022. He then asked for the assistance of the Travel Program Administrator (TPA) and made several follow-ups but did not hear from her. He added that staff from his department helped him *“figure out what was being done incorrectly”* and he finally submitted his TBE Report on March 2, 2023. This request for reimbursement remained in the queue for approval although his supervisor did not see it in the system. It was not until July 2023 that the employee and the supervisor were informed about the pending TBE report.

The expenses for the said trip were recorded in Fiscal Year 2024 instead of Fiscal Year 2023 as it would have been if the TBE Report was submitted and approved on time. In our prior audit report dated January 4, 2024, (Audit of Miscellaneous Expenses, January to March 2023), we noted that an employee from the same department attended the same APTA conference and submitted her TBE report more than two months after the event. We reiterate the recommendations we provided to the Program Management Department to instruct employees to file the TBE report promptly-

TBE reports must be submitted on time for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated. Moreover, submitting expense reports on time will avoid the probability of losing receipts or documents over time.

Early Bird Registration Not Done

We also noted that Metro paid \$1,100.00 for the registration fee to the APTA event and failed to obtain the discounted rate of \$975.00 because the payment was made on September 22, 2022, which was past the early bird deadline of August 31, 2022. Metro could have saved \$125.00 per attendee, a saving of 11% if registration was made within the discount period. Since the APTA Conference is held annually, management should plan early to save on registration fees.

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Recommendations:

Program Management (Alternative Delivery/Construction Management)

- Management should monitor the submission of the Travel and Business Expense Reports of their staff.
- Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy
- Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.
- Management should plan and identify conference attendees early to realize early bird registration discounts.

Workforce Services

- Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

5. Reimbursement of Delinquency Fee on Employee's Professional License

In July 2023, the Executive Officer of Projects Engineering was reimbursed \$450.00 for her license as a Professional Engineer - \$270.00 from July 1, 2021, to June 30, 2023, and \$180.00 from July 1, 2023, to June 30, 2025). The license renewal fee of \$270.00 for the two-year period ended June 30, 2023, includes a \$90.00 delinquency fee for late payment since the employee paid for it in November 2021, past the 60-day grace period. When asked about the late request for reimbursement, the employee explained, *"It wasn't until I was preparing my reimbursement request for the 7/1/23 - 6/30/25 license fee that I realized that I had not submitted a reimbursement request for 7/1/21 - 6/30/23."*

While Metro allows reimbursement for employees' licenses, Metro's policy is silent and does not address allowing reimbursement for delinquency or late fees made by employees for their licenses or any other type of expenses. Metro should have a clear policy on whether it will allow reimbursement of fines and late fees that the employees incurred. As an example, the Purchase Card policy specifically prohibits employees from using Metro funds to pay for ExpressLanes violation which is essentially of the same nature as delinquency fees and fines.

Employees must keep track of their license renewal dates to avoid late fees and for the transactions to be recorded in the correct accounting period. In this case, the renewal fee of

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\$270.00 was recorded in Fiscal Year 2024, instead of Fiscal Year 2022 had it been submitted in July 2021.

Recommendations:

Program Management, Construction & Engineering

- Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

- Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, are allowed or not.
- Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses.

Talent Development

- Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

6. The Cost of Meals at the Annual Workshop Was Higher than the Per Diem for Los Angeles

On August 9, 2023, Operations held their annual workshop at the California Endowment in Los Angeles from 8:00 am to 3:30 pm, with Director-level and higher, as well as support staff, in attendance.

Breakfast and lunch were provided at the workshop by Wolfgang Puck, the exclusive caterer for the venue. The cost of meals for 120 attendees amounted to \$5,239.58 - this is equivalent to \$43.66 per head. In comparison, the allowable per diem set by GSA for traveling employees in Los Angeles is \$17.00 for breakfast and \$18.00 for lunch – or a combined per diem rate of \$35.00 per person.

The Executive Officer of Operations Administration stated that *“the venue is free of charge but you are required to use their vendor for food services.”* She added, *“ This overall cost is the most cost-effective and is less than renting a venue and ordering food for a group of this size. It is the sole reason so many departments use this venue.”*

Currently, there is no existing policy on business meals for events like this. We recommend that management consider establishing standard rates for business meals that are aligned with the

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GSA rates. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

In our prior audit report dated January 4, 2024 (Audit of Miscellaneous Expenses, January to March 2023), we noted costly meals at a Metro event. One of our recommendations was to consider adopting standard rates for meals to be served during the events, to which the management concurred. They developed an SOP for meals served at Metro events. The SOP includes *“setting a standard of using GSA per diem rates as the standard for cost per person for any events with food/beverage.”*

Recommendation:

Operations

- Consider establishing standard rates for business meals that are aligned with the GSA rates.
- Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

7. 2021 Corporate Membership Fee Paid in 2023 and Non-Compliance with Corporate Membership Policy

In July 2023, Metro paid the corporate membership fees to the American Association of State Highways and Transportation Officials (AASHTO) for calendar years 2021 and 2023 for a total of \$7,000.

When we inquired why the corporate membership fee for the calendar year 2021 was paid two years later in 2023, the Deputy Executive Officer of the Countywide and Planning Department stated that *“it was an oversight by AASHTO, possibly due to the pandemic.”*

The corporate membership fee of \$3,500.00 for calendar year 2021 was recorded in Fiscal Year 2024 which should have been paid in Fiscal Year 2021.

Expenses must be paid and recorded in the correct accounting period. Management can obtain a list of memberships from Human Capital and Development as HR 6 (Professional and Corporate Membership policy) states, *“Each fiscal year, Talent Development will make the list of current corporate and individual professional memberships available upon request.”*

We also noted non-compliance with Section 2.1 of the HR 6 policy (Professional and Corporate Membership policy) which states that *“Funds for corporate memberships will be budgeted and*

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paid for by the Chief of Staff office.” However, the corporate membership fees were charged to Cost Center 4010 – Executive Office Countywide Planning and Development.

The DEO explained, *“As requested by the OCEO, the corporate memberships were paid out of our cost center 4010. Since both memberships are aligned with primarily Countywide Planning & Development programs, it made sense that our Cabinet would be paying for both corporate memberships.”*

Recommendations:

Executive Office Countywide Planning and Development

- Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.
- Consider posting the membership date and organization in each employee’s training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Office of the Chief of Staff

- Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when appropriate.

8. No Written Pre-Approval of P-Card Purchase

On July 6, 2023, the P-Cardholder of Customer Programs and Services paid the Conference of Minority Transportation Officials (COMTO) \$870.00 for the registration fee of the department’s Sr. Director of Special Projects. The Approving Official stated that the attendance at the conference was verbally approved.

However, the Purchase 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.”*

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 written approval.

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Recommendations:

Customer Programs and Services

- Remind the P-Cardholder about the policy of securing a written pre-approval prior to purchases.
- The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

OBSERVATION

International Travels

Out of 79 business travels during the audit period, three were international, as follows:

Traveler/Employee	Travel Period	Destination	Purpose	Total Travel Expense
Director, Systems Engineering	6/18 to 6/30/2023	Colchester, UK	PLE 2 Emergency Ventilation Fans Factory Acceptance Testing	\$ 6,288.59
Board Member	6/03 to 6/08/2023	Barcelona, Spain	UITP Global Public Transport Summit	5,025.54
Exec. Officer, Communications	6/01 to 6/08/2023	Barcelona, Spain	UITP Global Public Transport Summit	4,359.70
Total				\$ 15,673.83

The total cost of international travel accounted for about 19% of the business travel expense.

The Office of the Chief of Staff explained the significance and benefits of Metro’s participation in the International Association of Public Transport (UITP) Global Public Transport Summit such as leadership and governance insights, technological advancement, and exposure to best practices, among others. Please see pages 34 to 35.

Incorrect Accounts

We noted a few transactions that were charged to incorrect accounts by the Purchase Cardholder, check requester, or other staff such as promotional materials erroneously recorded as advertising, training expense charged to professional membership instead of seminars, and others. We advised the staff involved and Accounting corrected/reclassified the erroneous entries.

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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 the audit population.

a. Reviewed Quarter (FY24 Q1) versus Prior Quarter (FY23 Q4) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter posted a decrease of \$1.3 million or 44% compared to the fourth quarter of Fiscal Year 23. This was because expenses in the last quarter of any fiscal year are normally higher than any other quarter since expenses are accrued at the end of the fiscal year. During the first quarter of the current fiscal year, all expenses were lower, especially business travel and miscellaneous (account # 50999) which had a combined decrease of \$886,879.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Jul-Sep 2023	Apr-Jun 2023	Increase (Decrease)
Advertising	\$ 753,702	\$ 938,669	\$ (184,967)
Business Meals	90,606	174,507	(83,901)
Business Travel	84,113	724,574	(640,461)
Corporate Membership	77,200	126,676	(49,476)
Professional Membership	11,875	25,343	(13,468)
Seminar and Conference Fee	85,386	181,484	(96,098)
Miscellaneous (50999) *	629,790	876,208	(246,418)
Others (Mileage and Parking, etc.)	10,981	39,555	(28,574)
Total	\$ 1,743,653	\$ 3,087,016	\$ (1,343,363)
Decrease			-44%

** 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 expenditures for 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 (FY24 Q1) versus Same Quarter of Prior Year (FY23 Q1) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter significantly increased by almost \$700,000 or 67% as compared to the same quarter of FY23. This was mainly due to advertising expenses of \$753,702 for the reviewed quarter compared with only \$46,212 for the same quarter of FY23. For the quarter under audit, Metro paid for various advertising for Regional Connector

**Statutorily Mandated Audit of Miscellaneous Expenses
July 1, 2023 to September 30, 2023**

Office of the Inspector General

Report No. 24-AUD-07

Opening, Transit Watch, LIFE, BAM, Go Pass, Brand Perceptions, Content Partnership, SoCal 511, Fare Capping, and others. See Table 2.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Jul-Sep 2023	Jul-Sep 2022	Increase (Decrease)
Advertising	\$ 753,702	\$ 46,212	\$ 707,490
Business Meals	90,606	122,051	(31,445)
Business Travel	84,113	35,353	48,760
Corporate Membership	77,200	284,317	(207,117)
Employee Relocation	0	27,758	(27,758)
Professional Membership	11,875	8,528	3,347
Seminar and Conference Fee	85,386	53,816	31,570
Miscellaneous (50999) *	629,790	450,459	179,331
Others (Mileage and Parking, etc.)	10,981	15,263	(4,282)
Total	\$ 1,743,653	\$ 1,043,757	\$ 699,896
Increase Over Same Quarter of Prior Year			67%

c. October 2022 to September 2023 versus October 2021 to September 2022

Miscellaneous expenses of \$9.8 million from October 2022 to September 2023 were \$3 million higher compared with \$6.8 million from October 2021 to September 2022. All expense accounts increased, especially advertising, business travel, and other miscellaneous expenses (account # 50999). See Figure 1.

**Figure 1: Miscellaneous Expenses per Quarter
October 2022 to September 2023 versus October 2021 to September 2022**

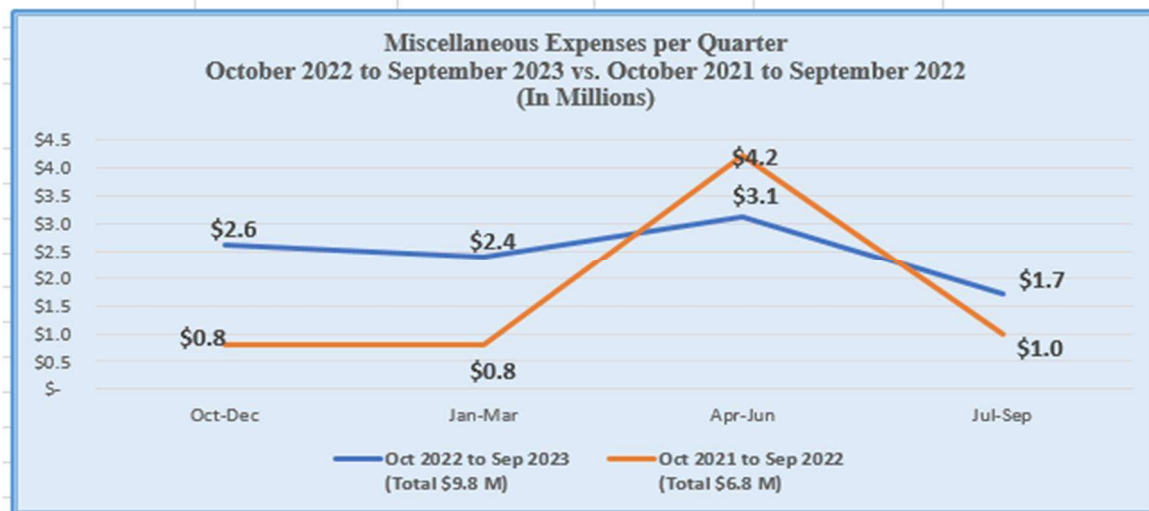


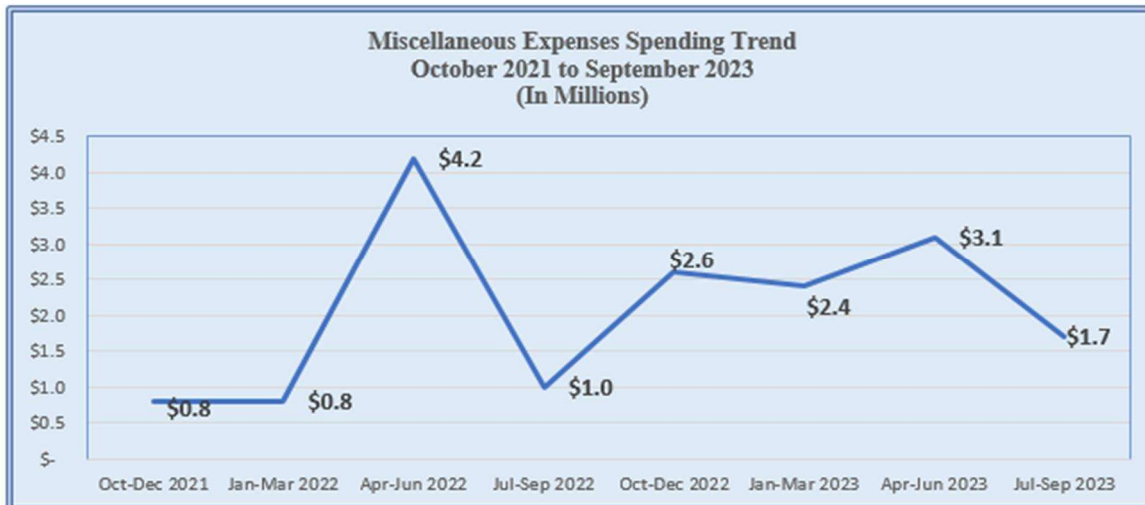
Figure 2 shows the spending trend for miscellaneous expenses for the last two years:

**Statutorily Mandated Audit of Miscellaneous Expenses
July 1, 2023 to September 30, 2023**

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**Figure 2: Miscellaneous Expenses Spending Trend
October 2021 to September 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 in June of each fiscal year which was charged to the respective years' budget. It is common to exhaust any remaining budgeted funds in the 4th quarter of a fiscal year to avoid trailing expenses to the following fiscal period.

As shown in Figure 2, miscellaneous expenses in every quarter were higher during the last four quarters (October 2022 to September 2023) than the miscellaneous expenses for the previous quarters (October 2021 to September 2022, except for April to June 2022). This is an indication that Metro operations are starting to normalize.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of overbilling by two vendors. We also found higher cost of airfare because the request to travel was made too close to the event.

Other findings include (a) late submission of Travel and Business Expense Report, (b) 2021 corporate membership paid in Fiscal Year 2024, (c) delinquency fee on professional license reimbursed to the employee, and (d) no written pre-approval for a payment made through a Purchase Card. We also noted that the cost of meals at the annual workshop was higher than the per diem for Los Angeles.

Employees should be reminded to review the invoices thoroughly, plan early for their business travel, and adhere to all Metro policies and procedures.

RECOMMENDATIONS

We recommend the following:

Marketing

1. We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

Office of Board Administration

2. Review the invoices thoroughly and verify that all charges are proper and accurate.
3. Require the vendor to submit the invoice promptly, as orders are delivered.

System Security and Law Enforcement

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

Program Management (Alternative Delivery/Construction Management)

6. Management should monitor the submission of the Travel and Business Expense Reports of their staff.
7. Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy
8. Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.
9. Management should plan and identify conference attendees early to obtain early bird registration discounts.

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2023 to September 30, 2023

Office of the Inspector General

Report No. 24-AUD-07

Workforce Services

10. Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Program Management, Construction & Engineering

11. Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

12. Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, should be disallowed or not.
13. Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses

Talent Development

14. Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Operations

15. Consider establishing standard rates for business meals that are aligned with the GSA rates.
16. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Executive Office Countywide Planning and Development

17. Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.
18. Consider posting the membership date and organization in each employee's training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Statutorily Mandated Audit of Miscellaneous Expenses

July 1, 2023 to September 30, 2023

Office of the Inspector General

Report No. 24-AUD-07

Office of the Chief of Staff

19. Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when applicable.

Customer Programs and Services

20. Remind the P-Cardholder and approver about the policy of securing a written pre-approval prior to purchases.
21. The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 31, 2024, we provided Metro Management our draft report. By July 3, 2024, Metro Management submitted their responses summarizing their corrective actions. 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

Account	Account Description	Audit Population	Sample Amount
50213	Training Program	\$ 7,555	\$2,758
50903	Business Meals	90,606	22,410
50905	Corporate Membership	77,200	74,200
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	3,426	940
50912	Professional Membership	11,875	3,921
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	85,386	20,486
50917	Business Travel	84,113	21,197
50918	Advertising	753,702	684,834
50930	Employee Activities & Recreation <a>	0	0
50999	Other Miscellaneous Expenses	<u>629,790</u>	<u>388,144</u>
	<i>Total</i>	<u>\$1,743,653</u>	 <u>\$1,218,890</u>

<a> No expenses incurred for this quarter.

 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

Marketing





Metro

Interoffice Memo

Date: June 14, 2024

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

Through: Jennifer Vides 
Chief Customer Experience Officer

From: Monica Bouldin 
Deputy Chief Customer Experience Officer

Subject: Response to Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses, July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

The Marketing department has received and reviewed the audit findings and recommendations regarding item 1: "Payment for Overbilled Invoices for Advertising." We followed up with staff to discuss the findings that have put together our response below for your review.

Item 1: Payment for Overbilled Invoices for Advertising

The audit disclosed overbilling in four invoices for a total amount of \$85.63. The Director of Social Media reached out to Civilian and the agency explained that the errors were "due to new staffing or high turnover rate." A credit for \$85.63 was issued to Metro on April 3, 2024.

To prevent future overbilling issues with our vendor Civilian, we will implement a new structured verification process that involves both Civilian and our internal team. This process ensures thorough checks at multiple stages before final approval, thereby minimizing errors and discrepancies.

Step-by-Step Process Invoice Review Process will be as follows:

- **Initial Discussion with Civilian:**
 - Schedule a meeting with Civilian to discuss the overbilling incident.
 - Ensure Civilian agrees to double/triple check their invoices before submission in Asana, the marketing department's project management tool.

Management Comments to Draft Report

Marketing – Cont.

- **Vendor Invoice Preparation:**
 - Civilian will implement an internal review process to verify all invoices are accurate before uploading it in Asana.
 - Civilian will provide a detailed breakdown of the charges with the correct hourly rates for each labor invoice.
- **Internal Review:**
 - Assign a dedicated team member to receive and initially review the invoice from Civilian which will be the campaign lead or key decision maker (KDM).
 - e.g., A Communications Manager will be reviewing invoices for the Civic Mobility Publication campaign.
 - The Communications Manager will cross-check the invoice details against the contract terms and previously approved media costs.
- **Final Managerial Review and Approval:**
 - The invoice will be shared with their direct supervisor for a secondary, thorough managerial review.
 - This review includes verifying quantities, rates, and ensuring no duplicate charges or discrepancies exist.
 - The manager will sign off only after confirming all details are accurate and the review steps have been followed.
- **Ongoing Monitoring and Feedback:**
 - Establish a feedback loop with Civilian to address any issues promptly and refine the process as needed.
 - Conduct quarterly reviews of the process and set reminders to ensure it remains effective and adjust as necessary.

Management Comments to Draft Report

Office of Board Administration



Metro

Interoffice Memo

Date	June 3, 2024
To	Yvonne Zheng Sr. Manager, Audit
From	Collette Langston Board Clerk <i>[Signature]</i>
Subject	Response to OIG Audit No. 24-AUD-07

This memo is in response to the Office of the Inspector General audit, 24-AUD-07, which found that Board Administration had been billed twice for meals delivered during the committee meeting on June 15, 2023.

Board Administration agrees with the Office of the Inspector General (OIG) that it is important that the invoices are submitted promptly, as meals are delivered. Additionally, Board Administration agrees that the invoices should be reviewed thoroughly and checked for repeated or duplicate invoicing, accuracy of amount, and completeness of order to ensure that Metro pays for goods or services that were actually received.

The vendor has been asked and has committed to submitting the invoice the same day the food is delivered. Staff have been reminded to immediately review invoices for accuracy.

Please contact me at 213.364.6681 if you would like to discuss or require additional information.

Management Comments to Draft Report


System Security and Law Enforcement



Metropolitan Transportation Authority

Metro

Interoffice Memo

Date	June 12, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kenneth Hernandez  Chief Safety Officer (Interim)
Subject	24-AUD-07 Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 - SSLE Responses to OIG Recommendations and Proposed Actions

The purpose of this memorandum is to acknowledge the review and corrective actions taken by staff within System Security and Law Enforcement (SSLE).

The recommendations were provided to SSLE on May 31, 2024. The original recommendations are in the "Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023, to September 30, 2023 (Report 24-AUD-07)" document on page 8.

The SSLE leadership team is fully committed to ensuring that all employees are thoroughly educated in the new policy for Travel and Business Expense (GEN 65).

Finding: Staff should comply with the new Travel and Business Expense policy (GEN 65), effective August 2023, which states, *"The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date."*

Recommendations

- Management should plan and obtain approval for travel 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.

SSLE Management's Response:

Systems Security and Law Enforcement agrees with the recommendations. Management will ensure all SSLE personnel are aware of and trained on the new Travel and Business Expense policy (GEN 65) to ensure that employees make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate. In the event that is not feasible, SSLE employees will

Management Comments to Draft Report

System Security and Law Enforcement – Cont.

explain in their business justification why the submission did not comply with the 30-day advance coordination as stated in the policy.

If you have any questions, please contact me at 213-922-2990 or at hernandezk3@metro.net.


Management Comments to Draft Report

Program Management (Alternative Delivery/Construction Management and Construction & Engineering)



Metro

Interoffice Memo

Date	June 13, 2024
To	Yvonne Zheng Senior Manager, Audit
From	Tim Lindholm Chief Program Mgmt Officer (Interim) 
Subject	Response to OIG Audit No. 24-AUD-07

The Office of Inspector General (OIG) performed an audit of Metro’s miscellaneous expenses that were processed from July 1, 2023 – September 30, 2023. Although the 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.

Late Submission of Travel and Business Expense (TBE) Report

Recommendation #6: Management should monitor the submission of Travel and Business Expense Reports of their staff.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to monitor staff Travel and Business Expense Report submissions in compliance with GEN 65 requirements.

Completion Date: June 30, 2024.

Recommendation #7: Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy.

Management Response: A memo will be issued by the Interim Chief Program Management Officer reminding staff to submit Travel and Business Expense Reports in compliance with GEN 65 requirements. In addition, departmentwide travel oversight guidelines and a monitoring report will be developed to alert management and staff of pending travel reimbursement submission due dates.

Completion Date: September 30, 2024.

Recommendation #8: Direct travelers to read, review and comply with all provisions of Metro’s Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.

Management Response: A memo will be issued by the Interim Chief Program Management Officer reminding management to monitor staff submission of Travel and Business Reports in compliance with GEN 65 requirements.

Management Comments to Draft Report

Program Management (Alternative Delivery/Construction Management and Construction & Engineering) – Cont.

Also, in partnership with Metro’s Travel Office, Program Management provides department wide staff travel training. The last session was held October 17, 2023. We will continue to hold annual refresher travel training with staff. The next session is projected to occur in October 2024.

Completion Date: October 31, 2024.

Recommendation #9: Management should plan and identify conference attendees early to obtain early bird registration discounts.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to ensure conference attendees are identified early to take advantage of early bird registration discounts.

Completion Date: June 30, 2024.

Reimbursement of Delinquency Fee on Employee’s Professional License

Recommendation #11: Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payments. Late fees should not be reimbursable.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising staff to track licenses and pay timely to avoid late fees.

Completion Date: June 30, 2024.

Please contact me at extension 27297 or Kathy Knox extension 27504, if you would like to discuss or require additional information.

Management Comments to Draft Report

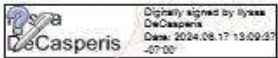
Chief People Office (Workforce Services and Talent Development)



Metro

Interoffice Memo

Date	June 17, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Ilyssa DeCasperis Chief People Officer
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)



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

- #10. Workforce Services - Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Response: Staff concurs with the recommendation and will continue to ensure that responses to questions are responded to in a timely manner.

To better assist travelers the department has hired a Transportation Associate who has been a great asset for the past six months in improving turnaround of travel questions. In addition, the Transportation Associate has been able to assist the Travel Program Administrator (TPA) with review of travel authorizations for completeness along, with reviewing of expense reports to reject those missing documents and pass those completed to TPA for final review and approval for a timelier processing time.

In addition, TBE 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 1st day post travel, a 2nd reminder on day 15, 3rd reminder on day 25, with 4th notice on day 31 post travel notifying the employee that their TBE is past due per policy and a memo is required explaining why it was submitted late. If the memo is not provided, the TBE will be rejected.

Management Comments to Draft Report

Chief People Office (Workforce Services and Talent Development) – Cont.



Metro

Interoffice Memo

Completion Date: Notification reminders have been implemented since January 15, 2024.

- #14. Talent Development – Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Response: Staff concurs with the recommendation and will update the Corporate and Professional Membership Policy (HR-6) accordingly to generally disallow late and delinquency fees or penalties for Corporate and Professional Memberships. Metro will pay for fees if the agency is responsible for the delay.

Completion Date: We will report back to OIG with a status of the policy update within 90 days of this report (August 31, 2024).

Management Comments to Draft Report

Accounting



Metro

Interoffice Memo

Date	June 14, 2024
To	Yvonne Zheng Senior Manager
Through	Nalini Ahuja Chief Financial Officer
From	Jesse Soto SR. Executive Officer, Finance/Controller
Subject	Response to OIG Report on Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

Nalini Ahuja

Jesse Soto

OVERVIEW

I have reviewed the results of the subject draft report, and I concur with your recommendation that late fees and delinquency fees or penalties for professional licenses should be disallowed, and the Non-Travel Business Expenses Policy (FIN #14) should be updated to prohibit the expense.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. **Reimbursement of Delinquency Fee on Employer's Professional License**
Accounting

- Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, are allowed or not.
- Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses

Management Response: Agree to disallow late and delinquency fees or penalties for professional licenses.

We understand that Metro employees are expected to process their professional license timely, and if not processed timely, should be responsible for the cost of the late fee/penalty. The Non-Travel Business Expenses Policy (FIN # 14), section 2.8 and other related policies will be updated to prohibit the expense.

The Senior Director of Accounting, Accounting Operations section will take the lead to update Fin #14, Section 2.8 and other related policies on or before July 31, 2024.

Should you have any questions, please feel free to call me.

Thank you.

CC: Elaine Dimson, SR. Director, Accounting
Don Howey, EO Administration
Michelle Thaug, MGR, Accounting
Ernest Ruben, Principal Transportation Planner


Management Comments to Draft Report

Operations



Metro

Interoffice Memo

Date	July 3, 2024
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)
From	Conan Cheung Chief Operations Officer  <small>Digitally signed by Conan Cheung Date: 2024.07.03 15:14:46 -0700'</small>
Subject	24-AUD-07 Management Response to Audit of Metro Misc. Expenses July 2023 – September 2023

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

Recommendation #15

Consider establishing standard rates for business meals that are aligned with the GSA rates.

Management Response: Partially Agree; Operations agrees to comply with the standard GSA rates that the agency currently follows. However, venue and venue required caterer dictate overall cost. With this in mind, Operations will take into account the overall cost when securing a venue. Operations will also work collaboratively with agency stakeholders in determining if establishing standard rates for business meals would be feasible and will work with Chief People Office in updating the policy if required.

Completion Date: September 18, 2024

Recommendation # 16

Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Management Response: Partially Agree; Operations agrees to obtain at least three quotes OR a justification memo in the request for payment. However, Operations does not agree to complete both since it is only allowed to cater from one vendor.

Completion Date: September 18, 2024

Management Comments to Draft Report

Operations – Cont.

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Donald Howie
Nancy Saravia

Management Comments to Draft Report

Executive Office, Countywide Planning and Development



Metro

Interoffice Memo

Date	June 17, 2024
To	Yvonne Zheng, Senior Manager Audit Office of the Inspector General
From	Ray Sosa, Chief Plannig Officer Countywide Planning & Development
Subject	Response to Audit Report No. 24-AUD-07, Audit Finding 7 & Recommendations 17 and 18

Audit Report Issue

In the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07), the audit results found the following issue for Countywide Planning & Development:

7. 2021 Corporate Membership Fee Paid in 2023 and Non-Compliance with Corporate Membership Policy

In July 2023, Metro paid the corporate membership fees to the American Association of State Highways and Transportation Officials (AASHTO) for calendar years 2021 and 2023 for a total of \$7,000. The corporate membership fee of \$3,500.00 for calendar year 2021 was recorded in Fiscal Year 2024 which should have been paid in Fiscal Year 2021.

Expenses must be paid and recorded in the correct accounting period. Management can obtain a list of memberships from Human Capital and Development as HR 6 (Professional and Corporate Membership policy) states, "Each fiscal year, Talent Development will make the list of current corporate and individual professional memberships available upon request."

Countywide Planning & Development Response

Countywide Planning & Development's Executive Office team has considered Recommendations 17 and 18 as a result of Audit Report Finding No. 7.

Recommendation 17 – Staff has prepared a comprehensive list of corporate and professional memberships to monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.

Recommendation 18—Staff has prepared an internal training log that includes each employee's membership date and organization, as well as the comprehensive corporate memberships list, so that we do not have to request this information from the department maintaining the database.

Management Comments to Draft Report

Office of the Chief of Staff



Metro

Interoffice Memo

Date	June 21, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund <i>NE</i> Chief of Staff
Subject	Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

I have thoroughly reviewed the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023, to September 30, 2023 (Report No. 24-AUD-07)

For Item 9. "Update the HR 6 policy to allow other cost centers to pay for corporate membership fees when applicable." The Chief of Staff is conducting a review of all Agency corporate memberships. Once the list is compiled, we will determine if amending the policy is warranted to allow other departments to directly pay for memberships with prior approval from the CEO. I anticipate completing this task by July 31, 2024. My office will advise you of our final decision.

Thank you for the opportunity to comment on this draft audit and for bringing this matter to my attention.


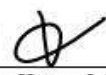
Management Comments to Draft Report

Customer Programs and Services



Metro

Interoffice Memo

Date	6/14/2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides Chief Customer Experience Officer 
From	Vanessa Smith Executive Officer, Customer Care 
Subject	Response to the Office of the Inspector General Report number 24-AUD-07 Audit Results For Customer Programs and Services Department

This is a response to the Office of the Inspector General’s Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report number 24-AUD-07).

Background:

An audit was performed by the Office of the Inspector General (OIG) on miscellaneous expenses from July 1, 2023 to September 30, 2023.

The results of the audit uncovered a violation of the P-Card policy on July 6, 2023, in the Customer Program and Services Department. The P-Card Approver provided a verbal approval for P-Cardholder to pay the \$870.00 Conference of Minority Transportation Officials (COMTO) registration fee for Senior Director of Special Projects in lieu of the required written pre-approval for conferences.

OIG Recommendations:

- Remind the P-Cardholder about the policy of securing a written pre-approval prior to purchases.
- The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

Department Response:

The P-Card Approver agrees with the OIG Report and has reviewed and understands the P-Card policies and will review the supporting documents of P-Card purchases. The P-Card Approver met with the P-Cardholder and reviewed the P-Card policies as a reminder to secure written pre-approvals prior to purchases for conferences and other P-Card purchases outside of the department’s pre-approved standard purchasing list. Additionally, the P-Card Approver will meet quarterly with all department P-Cardholders to review the P-Card policy as a reminder to ensure P-Card policy compliance.

Management Comments to Draft Report

Office of the Chief of Staff



Metro

Interoffice Memo

Date	June 21, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund <i>NE</i> Chief of Staff
Subject	Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

I have thoroughly reviewed the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses from July 1, 2023, to September 30, 2023 (Report No. 24-AUD-07). Please note the following:

The audit highlighted that three of the 79 business trips during the audit period were international. Specifically, the Board Chair and an executive attended the International Association of Public Transport’s (UITP) Annual Global Public Transport Summit in Barcelona, Spain, on June 4-7, 2023.

Significance of UITP:

- UITP is the leading global network for public transport stakeholders with over 1,900 member companies in 100 countries, including 87 in the United States.
- It promotes sustainable urban mobility, enhancing quality of life and economic well-being worldwide.
- Los Angeles County Metropolitan Transportation Authority is a longstanding UITP member and was invited to participate and speak at the summit.

Benefits of Metro's Participation:

Leadership and Governance Insights:

Engagement with global leaders such as UITP President Khalid Alhogail and Spanish Minister of Transport Raquel Sánchez Jiménez, Insights into governance strategies and policy frameworks for benchmarking and potential adoption.

Technological Advancements:

Management Comments to Draft Report

Office of the Chief of Staff – Cont.

Exposure to the latest technological advancements in transportation through TMB (Transports Metropolitans de Barcelona). Sessions led by experts on automation and digital control systems, providing a roadmap for similar projects at Metro.

Innovative Solutions for Informal Transport:

Insights from experts on managing and integrating informal transport, useful for improving Metro services and network integration.

Data-Driven Decision Making:

Understanding the use of AI and automated systems for data collection and analysis to enhance planning and operational performance.

Financial Sustainability:

Knowledge from speakers on managing operational costs and funding structures, crucial for balancing financial sustainability with service expansion.

Exposure to Best Practices:

Learning about the latest transportation practices and technologies globally, providing insights into improving efficiency, reducing costs, and enhancing service quality.

In conclusion, Metro's participation in the UITP Global Public Transport Summit provided valuable knowledge, strategic insights, and networking opportunities. These benefits are essential for Metro to maintain its leadership in public transportation in the United States and globally. This exposure broadens perspectives, enabling participants to bring fresh insights and diverse strategies back to their organizations, driving innovation and competitive advantage. Additionally, attending international events helps in understanding global market dynamics, regulatory environments, and cultural nuances, which are essential for operating effectively in today's interconnected world.

Final Report Distribution

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Audit of Miscellaneous Expenses July 1 to September 30, 2023

OIG Report No. 24-AUD-07
Karen Gorman, Inspector General

July 18, 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; however, OIG found the following findings:
 - Payment of five overbilled invoices (four on advertising; one for business meals)
 - Higher cost of airfare due to travel request made less than a week before travel
 - Late submission of Travel and Business Expense Report
 - Reimbursement of delinquency fee on employee's professional license
 - Cost of meals at a workshop higher than per diem for Los Angeles
 - 2021 Corporate membership paid in 2024
 - No written pre-approval of a P-Card purchase

- ❖ OIG provided **21** recommendations.