

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

**Review of Staffing Plans, Compensation,
and Expenditure Policies of the Metro
Gold Line Foothill Extension, the
Exposition Metro Line, and the Alameda
Corridor-East Construction Authorities**

Report No. 12-AUD-08

February 24, 2012



TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| INTRODUCTION | 1 |
| OBJECTIVE, SCOPE, AND METHODOLOGY OF REVIEW | 1 |
| BACKGROUND | 2 |
| RESULTS OF REVIEW | 3 |
| A. Staffing Plans | 3 |
| B. Chief Executive Officers’ Contracts, Compensation, and Benefits | 6 |
| C. Business Expense Policies | 7 |
| D. Other Related Areas | 9 |
| 1. Memorandums of Understanding | 9 |
| 2. Construction Authorities’ Public Websites | 10 |
| 3. External Audit Reports | 11 |
| CONCLUSION | 11 |
| SUGGESTIONS | 12 |
| ATTACHMENTS | |
| A. Metro Board Motion | 13 |
| B. OIG Request for Information to the Authorities | 14 |
| C. Staffing Plan – Metro Gold Line Foothill Extension Construction Authority | 16 |
| D. Staffing Plan – Exposition Metro Line Construction Authority | 19 |
| E. Staffing Plan – Alameda Corridor-East Construction Authority | 22 |
| F. Chief Executive Officers’ Contracts and Other Benefits | 25 |
| G. Salaries of Top Executives of Other Government Agencies | 26 |
| H. Summary of Business Expense Policies | 27 |
| I. Comparison of Best Practices to Policies of Construction Authorities | 29 |
| EXHIBITS | |
| A. Advisory Memo on Metro Gold Line Foothill Extension Construction Authority | |
| B. Advisory Memo on Alameda Corridor-East Construction Authority | |
| C. Advisory Memo on Exposition Metro Line Construction Authority | |



Metro

Los Angeles County
Metropolitan Transportation Authority

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7343 Fax

DATE: February 24, 2012
TO: Metro Board of Directors
FROM: Karen Gorman
Acting Inspector General

SUBJECT: Review of Staffing Plans, Compensation, and Expenditure Policies of the Metro Gold Line Foothill Extension, the Exposition Metro Line, and the Alameda Corridor-East Construction Authorities (Report No. 12-AUD-08)

INTRODUCTION

On December 15, 2011, the Board of Directors of the Los Angeles County Metropolitan Transportation Authority (Metro) directed the Office of the Inspector General (OIG) to conduct a review of the Metro Gold Line Foothill Extension Construction Authority, the Exposition Metro Line Construction Authority, and the Alameda Corridor-East Construction Authority that contains:

- a. The full staffing plan for each Authority, including in-house employees, contract employees and consultants, with salaries for each employee.
- b. A review of each Authority's Chief Executive Officer's contract that describes total compensation, including but not limited to deferred compensation, incentives, and benefits.
- c. A review of each Authority's policies regarding expenditures, including but not limited to travel, training, per diems and miscellaneous expenses. (See Attachment A for a copy of Metro Board Motion.)

OBJECTIVE, SCOPE, AND METHODOLOGY OF REVIEW

The objective of the review was to gather and examine staffing plans, Chief Executive Officers' (CEO) contracts and compensation, and policies related to travel, training, per diems, and other miscellaneous expenses of the Metro Gold Line Foothill Extension Construction Authority (Gold Line), the Exposition Metro Line Construction Authority (Expo), and the Alameda Corridor-East Construction Authority (ACE).

The Acting Inspector General, Karen Gorman, met with the CEOs of all three Authorities immediately following the Board motion and visited Boards of two of the Authorities.

We requested information from each Authority to meet the basic requirements of the Board Motion and requested supplemental relevant information to the Motion that would provide further insight to the Metro Board and be used to verify the information provided concerning the basic requirements (see Attachment B for list of information requested). In addition, we:

- Summarized and analyzed staffing plans.
- Reviewed the contract for each CEO and obtained supplemental and related data on compensation and benefits.
- Researched public databases to determine the salaries of CEOs of 11 other transit and government agencies in California for comparison purposes.
- Reviewed each Authority's policies regarding travel, training, per diem, business meals, and other related expenses.
- Reviewed policies regarding travel, training, per diem, business meals, and other related expenses of 12 government agencies to determine best practices.
- Reviewed corporate credit card transactions and business expense reports to ascertain whether expenditures complied with policies.
- Reviewed the Memorandum of Understanding or Funding Agreement between Metro and each Authority.
- Reviewed the websites of each Authority to ascertain whether information relevant to this review was posted for transparency and public viewing.
- Reviewed external audit reports issued in the past 2 years.

BACKGROUND

Metro Gold Line. In 1998, California Public Utility Code (PUC) section 132400 created the Pasadena Blue Line Construction Authority, which is the predecessor agency to the Metro Gold Line Foothill Extension Construction Authority. The Authority is governed by a board consisting of five members; one is a member of the Metro Board.

The Authority's mission is to design, contract, and construct the Metro Gold Line. Construction for the Gold Line Foothill Extension from Pasadena to Azusa began in 2010 and is estimated to be completed in 2015. The Foothill Extension segments (Pasadena to Azusa and Azusa to Montclair) are estimated to cost \$1.2 billion. The majority of the funding for the project comes from Los Angeles County's Measure R (\$810 million), which went into effect in July 2009. The funding agreement states that Metro shall transfer certain Measure R funds to the Gold Line Construction Authority. The Authority's approved budget is \$87 million for Fiscal Year (FY) 2011 and \$75.5 million for FY 2012.

Exposition Metro Line. The Exposition Metro Line Construction Authority was created by the California PUC section 132600 in 2006. The Authority is governed by a board consisting of seven members, one of which is appointed by Metro. Three of the current Expo board members are also members of the Metro board. The PUC also states that the Metro CEO shall serve on the board as an ex officio.

Expo oversees construction of the light rail project extending from downtown Los Angeles to Santa Monica. The approved full funding plan for Phase 1 of the project is \$930.6 million for the section from downtown Los Angeles to Culver City. Phase 2 will extend the line to Santa Monica. The draft funding agreement for Phase 2 states that Metro will make available to Expo up to \$1.5 billion. The Authority's budget is \$374 million for FY 2011 and \$373 million for FY 2012.

Alameda Corridor-East. In 1998, the San Gabriel Valley Council of Governments (SGVCOG) created the Alameda Corridor-East Construction Authority to mitigate the impacts of significant increases in rail traffic over 70 miles of mainline railroad in the San Gabriel Valley. ACE is governed by a board consisting of nine members. One of the ACE board members is also a member of the Metro board.

ACE oversees multiple construction projects, which include safety upgrades and grade separations. ACE has received federal, state, city, county, railroad, and Metro funding. The total estimated cost for the recommended program is \$1.8 billion pending before the SGVCOG Board. According to the ACE FY 2012 approved budget, Metro has committed \$340.7 million in funding. An additional \$358 million is included in the Measure R Expenditure Plan and is expected to be released to ACE between 2011 and 2017. The total FY 2012 budget for ACE is \$43.5 million.

RESULTS OF REVIEW

A. Staffing Plans

As directed by the Metro Board, we requested and reviewed the full staffing plan for each Authority, including in-house employees, contract employees, and consultants, with salaries for each employee. We found that the staffing plans of the three authorities are similar. Each Authority has a small number of core in-house employees and utilizes contract employees and consultants for additional needed services. This staffing plan is conducive to an organization that does not have an infinite life cycle. Each Authority was created to complete a project and after the project is completed the Authority's mission is fulfilled. The following table summarizes the full staffing plans of the three Authorities:

Table 1: Summary of Staffing Plans

| Staffing Plan | Gold Line | Expo | ACE |
|--------------------------------|-----------|------|-----|
| Authorized Full-Time Employees | 16 | 26 | 24 |
| Authorized Part-Time Employees | 0 | 0 | 1 |
| Contract Employees | 14 | 29 | 3 |
| Consultant Firms Used | 12 | 16 | 25 |

1. In-House Employees

We found that the number of in-house employees hired by the Authorities were comparable. Each Authority has a small core of full-time employees as shown in the table below:

Table 2: Summary of Full-Time Employees

| Construction Authority | <u>Number of Positions</u> | | | <u>Annual Salary Range</u> | |
|------------------------|----------------------------|--------|--------|----------------------------|-----------|
| | Authorized | Filled | Vacant | Low | High |
| Metro Gold Line | 16 | 14 | 2 | \$46,765 | \$283,260 |
| Expo Metro Line | 26 | 22.5* | 3.5 | \$42,001 | \$334,081 |
| ACE | 24 | 20 | 4 | \$47,895 | \$233,661 |

* A Metro employee was in one position on a part-time basis.

- **Metro Gold Line.** As of December 15, 2011, the Gold Line had 16 authorized full-time positions. Of these positions, 14 were filled and 2 were vacant. The annual salaries for these positions ranged from \$46,765 to \$283,260. The annual salaries for 9 of the employees exceeded \$100,000. (See Attachment C, Table C-1 for details.)
- **Exposition Metro Line.** As of January 5, 2012, Expo had 26 authorized positions, of which 22.5 positions were filled (20 by Expo employees, 1 by a contractor employee, and 1.5 by Metro employees¹), and 3.5 positions were vacant. The annual salaries for these positions ranged from \$42,001 to \$334,081. The salaries for 9 of the employees exceeded \$100,000. (See Attachment D, Table D-1 for details.)
- **Alameda Corridor-East.** As of December 15, 2011, ACE had 24 authorized full time positions; of these positions, 20 were filled and 4 were vacant. The annual salaries for these positions ranged from \$47,895 to \$233,661. The salaries for 11 of the employees exceeded \$100,000. ACE also had one part-time employee. (See Attachment E, Table E-1 and E-2 for details.)

¹ A Metro employee is assigned to work full-time at Expo. Another Metro employee is assigned to work part-time at Expo. Metro pays their salaries.

2. Contract Employees

We found that the Gold Line had 14 contract employees, Expo had 29 contract employees, and ACE had 3 contract employees. A contract employee supplements the Authority’s staffing but is employed by an outside firm.

Table 3: Summary of Contract Employees

| Construction Authority | Contract Employees | Hourly Rate Range (\$/Hour) | | Range of Hours Worked per Week |
|------------------------|--------------------|-----------------------------|----------|--------------------------------|
| Metro Gold Line | 14 | \$29.81 | \$112.98 | 8 to 40 |
| Exposition Metro Line | 29 | \$11.20 | \$120.69 | 0 to 40 |
| ACE | 3 | \$38.78 | \$51.00 | 40 |

- **Metro Gold Line.** As of December 15, 2011, the Gold Line had 14 contract employees provided by 6 firms. The hourly rate for the 14 contract employees ranges from \$29.81 to \$112.98. Nine of the 14 contract employees worked 40 hours a week and the remaining 5 employees worked 8 to 32 hours per week. The hourly pay rate for 12 of the contract employees exceeded \$50 per hour (equivalent to a salary of \$104,000 if the individual works full-time for an entire year). (See Attachment C, Table C-2 for details.).
- **Exposition Metro Line.** As of January 1, 2012, Expo had 29 contract employees. Of the 29 contract employees, 26 are employed by 1 firm, 2 are independent consultants, and 1 is a temporary employee. The hourly rate for the 29 contract employees ranges from \$11.20 to \$120.69. The hourly pay rate for 22 of the 29 contract employees exceeded \$50 per hour. The contract employees work on an as needed basis from 0 to 40 hours depending on the week. (See Attachment D, Table D-2 for details.)
- **Alameda Corridor-East.** As of December 15, 2011, ACE had three contract employees provided by one firm. All three of the contract employees worked 40 hours a week. The hourly rate for the three contract employees ranges from \$38.78 to \$51. The hourly pay rate for one of the contract employees exceeded \$50 per hour. (See Attachment E, Table E-3 for details.)

3. Consultants

We found that the Gold Line used 12 consultant contracts, Expo used 16 consultant contracts, and ACE used 25 consultant contracts to provide various professional services.

- **Metro Gold Line.** As of December 15, 2011, the Gold Line had 12 contracts with 11 firms to provide various services to the Authority. The value of the contracts range from

\$49,998 to \$16.2 million. Examples of services provided include program management, consulting services for the National Environmental Policy Act and the California Environmental Quality Act, legal services, FTA bus interface plan, FTA corridor study, network administration, and Government Relations. (See Attachment C, Table C-3 for details.)

- **Exposition Metro Line.** As of January 1, 2012, Expo used 16 consultant firms on an as-needed basis. (See Attachment D, Table D-3 for details.)
- **Alameda Corridor-East.** As of December 15, 2011, ACE had 25 contracts with 23 firms to provide various services. The value of the contracts ranges from \$50,000 to \$18.3 million. Examples of services provided include construction management services, risk management services, legal services, legislative services, community outreach, and property acquisition services. (See Attachment E, Table E-4 for details.)

B. Chief Executive Officers’ Contracts, Compensation, and Benefits

We requested the Authorities to provide us with copies of the CEO’s contract and other information describing the total compensation, including deferred compensation, incentives, and certain benefits.

Table 4: Summary of 2011 CEO Compensation and Certain Benefits

| | Gold Line | Expo | ACE |
|-----------------------------|-------------------------|-------------------------|-------------------------|
| Salary as of 12/31/2011 (a) | \$283,260 | \$334,081 | \$233,661 |
| Retirement | \$79,511 | \$76,270 | \$32,712 |
| Deferred Compensation | \$0 | \$22,000 | \$0 |
| Incentives/Bonuses | \$0 (b) | \$25,056 | \$0 |
| Insurance | \$7,068 (c) | \$4,910 (d) | \$0 |
| Car Usage/Allowance | \$1,200 (e) | \$2,379 (f) | \$6,000 (g) |
| Other Benefits | <u>\$81,146 (h)</u> | <u>\$9,750 (i)</u> | <u>\$0</u> |
| Total Compensation | <u>\$452,185</u> | <u>\$474,446</u> | <u>\$272,373</u> |

Notes:

- (a) Annual salary as of December 31, 2011. Total actual salary for calendar year 2011 could be less.
- (b) The CEO is authorized a 5% bonus of base salary for each performance milestone met. In 2011, the CEO did not meet a performance milestone and no bonus was paid during the year.
- (c) The CEO receives basic disability insurance that is provided to all staff; the \$7,068 is for additional disability insurance beyond the basic coverage.
- (d) Group term life insurance. The CEO’s contract specifies the Authority shall pay the cost of life insurance in the amount of twice the CEO’s annual salary.
- (e) Annual estimated personal benefit for use of an Authority car.
- (f) The CEO has full use of an Authority car. The \$2,379 is the amount that the payroll department recorded as fringe benefit earnings for personal use of an automobile.
- (g) The CEO is given a \$500 monthly car allowance.

- (h) Total amount of buy-out of paid leave during 2011. The CEO accrues 66 days of vacation per year. The dollar amount of buy-out of leave in future years could vary or be zero.
- (i) Housing allowance.

We reviewed the contracts of each CEO and verified that the above compensation items are part of the CEO's original contract, or contract modification. (See Attachment F for key items in the CEO contracts.) In addition, the CEOs received other basic benefits according to Authority policy that are provided to all Authority employees such as paid holidays and health, vision, dental and basic disability insurance.

We also requested supplemental information such as payroll and accounting records to verify reported data. We independently verified the Gold Line and ACE CEOs' compensation and benefits to payroll and accounting data. Expo did not provide the requested information.

We also searched public databases to determine the base salaries of top executives of 11 other transit and government agencies in California (see Attachment G). The average base salary of these 11 executives is \$295,142.

C. Business Expense Policies

1. Review of Policies and Best Practices

We obtained each Authority's policies regarding expenditures for travel, training, per diem, and other expenses. The results of our review are summarized in Attachment H of this report. We also surveyed the policies of the following 12 government agencies (including 8 transit agencies) to determine best practices.

1. Bay Area Rapid Transit District
2. California Department of Transportation (Caltrans)
3. Chicago Transit Authority
4. City of Los Angeles
5. Los Angeles County Metropolitan Transportation Authority
6. Metrolink/Southern California Regional Rail Authority
7. Metropolitan Atlanta Rapid Transit Authority
8. New York Metropolitan Transportation Authority
9. Orange County Transportation Authority
10. San Diego Metropolitan Transit System
11. Southern California Association of Governments
12. U.S. Government (Federal Travel Regulations)

Our comparison of best practices to Authorities' policies found that in some instances the policies of the Authorities did not incorporate best practices (see Attachment I for details). Examples of best practices are:

- **Travel.** Coach/economy class or lowest fare available (2 Authorities followed best practices).
- **Per Diem for Lodging.** Internal Revenue Service (IRS) or U.S. General Services Administration (GSA) rates for lodging (2 Authorities followed best practices).
- **Per Diem for Meals.** IRS/GSA per diem rates used for meals and incidental expenses (2 Authorities followed best practices).

2. Review of Expenses

We also reviewed expenses for travel, lodging, per diem, meals, and other related expenses incurred by Gold Line and ACE during 2011 to verify if their actual practices conform to their policies.

- a. **Metro Gold Line.** Prior to our review, certain matters related to business and travel expenses were reported by the media in November 2011. Our review determined that the primary cause for the reported matters was a lack of specific criteria in policies. In November 2011, the Authority revised its policies. The matters reported by the media in November concerning Gold Line expenses occurred during the period that the old policy was in effect. Some significant policy changes are summarized in the table below:

Table 5: Significant Changes to the Gold Line Business and Travel Expense Policy

| | Prior (12/15/10) | Current (11/16/11) |
|---|--|---|
| Applicability | Employees and consultants. | Employees, consultants, Board Members, and all officers. |
| Lodging | Out-of-State travel will require pre-approval and actual expenses supported by receipts. | Out-of-State travel requires pre-approval and actual expenses should be supported by receipts. Personal expenses at the hotel are not allowed. Traveler should stay in business class hotels such as Hyatt, Hilton and Marriott or conference hotels. |
| Meals (overnight stay > 50 miles) | Must be pre-approved and original receipts must be provided. Meals will be reimbursed for actual expenses. | Must be pre-approved and original receipts must be provided. Meals will be reimbursed at rates not to exceed \$90/day and each category: breakfast - \$15, lunch - \$25, dinner - \$40, and incidentals - \$10. |
| Airport Transportation | Not covered | With approval of CEO, taxi or car service is allowable where necessary and reasonable. Use of public transit is encouraged. |
| Air Fare | Not covered | Travel should be most economical means possible. First class and business class fares are prohibited. Any exceptions shall be approved by the CEO. |
| Vehicle Use | Not covered | If employer provides an employee with a vehicle also for personal use, authority will report such on IRS W-2 Form. |

We obtained and reviewed credit card statements and related supporting documentation for 66 transactions made in 2011 for expenses such as lodging, air fare, vehicle services, meals, office supplies, and equipment. Our review of the 66 credit card transactions did not identify any additional matters similar to those

previously reported by the media. However, we found several areas where the Authority's policies could be further improved and compliance with policies needed to be strengthened. We prepared an advisory memo to the Gold Line that summarizes specific improvement areas and makes suggestions so that improvements can be made (see Exhibit A).

- b. **Alameda Corridor-East.** We reviewed 47 expense reports (travel, lodging, meals, training, membership, and other expenses) made during 2011 to determine if the expenditures complied with ACE policies. Except for one area related to travel, the expenditures we reviewed conformed to the Authority's policies. We prepared an advisory memo to ACE that summarizes specific improvement areas and makes suggestions so that improvements can be made (see Exhibit B).
- c. **Exposition Metro Line.** On February 24, 2012, Expo provided the OIG with information on Travel and Business Expense Reports and credit card purchases. We did not have sufficient time to analyze this information to include our analysis in this report dated February 24, 2012.

D. Other Related Areas

1. Memorandums of Understanding

All three Construction Authorities have a Memorandum of Understanding (MOU) or Funding Agreement with Metro. We reviewed the MOUs to determine what oversight/rights Metro has concerning the matters discussed in this report. We found that:

- **Audit Rights.** All of the MOUs contained provisions giving Metro rights to audit the financial information and records of the Authority.
- **Travel and Subsistence Costs.** The MOU with Expo states that travel and subsistence expenses shall not exceed the rates authorized by the Expo Travel and Business Expense Policy. The MOUs for the other authorities did not discuss travel related costs. We suggest that the other two MOUs be amended to be consistent in this regard.
- **Vehicle Mileage Rates.** The MOUs for the Gold Line and ACE state that the IRS mileage rate shall be used. Although not specifically discussed in the MOU, Expo requires the use of the IRS mileage rate in the Expo Travel and Business Expense Policy.

In addition to the above provisions, current ACE MOUs state:

- Administrative costs, including personnel costs, office supplies, and equipment, "must be reasonable and appropriate to the activities related to the project."

- “To be allowable, costs must be reasonable, recognized as ordinary and necessary, consistent with established practices of the organization, and consistent with industry standard of pay for work classification.”
- “Any expense deemed ‘excessive’ by LACMTA staff will be adjusted to reflect a ‘reasonable and customary’ level.”
- Funds must be used in the most cost-effective manner when “used to pay ‘in-house’ staff time... This effective use of funds provision will be verified by LACMTA through on-going project monitoring.”

We believe that any future MOUs or amendments could be strengthened by including additional specific provisions addressing the Authority’s commitment to best practices and benefit levels, such as described above.

2. Construction Authorities’ Public Websites

As part of this review, we visited each Authority’s public website to determine whether information on matters such as budget, financial statements, executive compensation, and other accountability/transparency information are available for public viewing. We found some instances where the Authorities could provide greater transparency to the public in these areas (see table below).

Table 6: Information Available on Website

| Information Available on Website | Gold Line | Expo | ACE | Metro |
|---|------------------|-------------|------------|--------------|
| Budget | No | No | Yes | Yes |
| Audited Financial Statements | No | N/A* | Yes | Yes |
| Executive Compensation | Yes** | No | No | Yes |
| List of Board of Directors | Yes | Yes | Yes | Yes |
| Board Meeting Minutes | Yes | Yes | Yes | Yes |
| Board Report Archive | Yes | Yes | Yes | Yes |
| Contact Information | Yes | Yes | Yes | Yes |
| Website Search Capability | Yes | No | Yes | Yes |
| Fraud Hotline*** | No | No | No | Yes |

* Expo does not have audited financial statements. Expo financial data is audited as part of Metro’s annual financial audit.
 ** The Gold Line website shows the salary range for all in-house positions.
 *** The Authorities do not have in-house resources to investigate fraud, waste, or abuse. However, their public websites could provide links to the Metro OIG Hotline, Department of Transportation OIG Hotline, or other appropriate entity.

We prepared separate advisory memos to each Authority summarizing specific areas where transparency could be improved (see Exhibits A, B, and C).

3. External Audit Reports

We requested audit reports issued for the past 2 years from each Authority.

- **Metro Gold Line.** The Gold Line provided two audited annual financial reports for FY 2010 and FY 2011. These reports did not report any material deficiencies in internal controls over financial reporting.
- **Exposition Metro Line.** Expo provided two unaudited financial statements for FY 2010 and FY 2011, which were prepared by Metro's Accounting Department. Expo's financial transactions are processed by Metro. Therefore, Expo's financial information is audited as part of Metro's annual financial audit. We reviewed Metro's Annual Financial Reports for FY 2010 and FY 2011. These reports did not report any material deficiencies in internal controls over financial reporting in regard to Expo or Metro.
- **Alameda Corridor-East.** ACE provided two audited annual financial reports for FY 2009 and FY 2010. (The FY 2011 report has not been issued.) These reports did not report any material deficiencies in internal controls over financial reporting. ACE also provided a report issued by the Metro Management Audit Services on agreed upon procedures for the Ramona Boulevard Grade Separation. This review was requested by ACE.

CONCLUSION

Our review of staffing plans, compensation, and policies of the construction authorities found:

- The authorities have similar staffing plans comprised of a small core of in-house employees (ranging from 16 to 26 employees) supplemented by contract employees and consultants.
- As of December 31, 2011, the CEOs' salaries ranged from \$233,661 to \$334,081. In addition, the CEOs received certain additional compensation and benefits. We verified that the compensation and benefits were in accordance with the contract between the CEO and the Authority.
- In some instances the policies of the Authorities did not incorporate best practices. Also, our review of business expenses found additional areas where policies could be improved. In addition, Metro's Travel Coordinator might be able to assist Authorities on obtaining government rates and minimizing travel costs.

- Future amendments to MOUs or Funding Agreements could be strengthened by including additional specific provisions addressing the Authority’s commitment to best practices and benefit levels.
- Authorities could increase transparency to the public by including additional information such as annual budgets, financial statements, and executive compensation on their public websites.
- Annual financial audit reports of the Authorities did not disclose any material deficiencies in internal controls over financial reporting.

The Metro Ethics Department and OIG are willing to provide assistance within limits of available resources as requested by the Authorities to assist them with compliance matters, best practices, or investigations as needed. We believe that this can be beneficial to the Authority, Metro, and the public.

SUGGESTIONS

Each Authority should consider:

1. Adopting best practices for travel, per diem, and other expenditures to the extent that the Authority’s policies do not encompass them.
2. Seeking advice from the Metro Travel Coordinator on how to obtain Government rates at hotels or provide a letter on Authority letterhead certifying the traveler is on official business for the Authority to enable them to obtain Government rates at hotels.
3. Making websites more transparent by providing information on financial and other matters of public interest to promote public confidence and demonstrate accountability.
4. Working with Metro to increase public confidence by including in MOUs or Funding Agreements language to demonstrate commitment to best practices and industry standards.
5. Requesting assistance from the Metro Ethics Department or OIG to review policies, investigate fraud, seek ethics advice, or other assistance to ensure compliance and ethics, and best practices to promote public confidence, with limits of Metro Ethics Department available resources and subject to permission of the Metro Board.

Metro Board Motion

58

December 15, 2011
MTA Board of Directors

MOTION

Directors Antonovich, Knabe, and Najarian

Three independent construction authorities—the Metro Gold Line Foothill Extension Construction Authority, the Exposition Metro Line Construction Authority, and the Alameda Corridor-East Construction Authority—are charged with the implementation of regional transportation projects funded by Measure R and other sources as programmed by the MTA.

Recent media reports alleging excessive compensation for the Chief Executive Officer at one of these construction authorities calls into question how appropriately MTA funds are being spent by these authorities. A full review of each of these three construction authorities' staff levels and total compensation should be conducted so that the MTA Board can be fully informed as to how Measure R and other taxpayer funds that flow through MTA are being spent.

WE THEREFORE MOVE that the MTA Board directs the acting MTA Inspector General to return to the Board by March 2012 with a review of the Metro Gold Line Foothill Extension Construction Authority, the Exposition Metro Line Construction Authority and the Alameda Corridor-East Construction Authority that contains:

- a. The full staffing plan for each Authority, including in-house employees, contract employees and consultants, with salaries for each employee
- b. A review of each Authority's Chief Executive Officer's contract that describes total compensation, including but not limited to deferred compensation, incentives, and benefits.
- c. A review of each Authority's policies regarding expenditures, including but not limited to travel, training, per diems and miscellaneous expenses.

OIG Request for Information to the Authorities

1. Approved/budgeted staffing level for FY11 (July 1, 2010 – June 30, 2011) and FY12 (July 1, 2011 – June 30, 2012). Include the number of authorized staff for each job title and the total budgeted amount for labor and fringe benefit for each fiscal year.
2. Annual budgets and financial statements for FY 2010 and FY 2011.
3. List of actual Full-Time Employees as of December 15, 2011.
4. List of actual Part-Time and As-Needed Employees as of December 15, 2011.
5. List of Consultants as of December 15, 2011.
6. List of Contractor Employees as of December 15, 2011.
7. Copy of the compensation contract between the Authority and CEO.
8. Board meeting minutes related to the Board approval of the CEO compensation contract.
9. A list of all benefits that are applicable to all employees, including but not limited to:
 - Vacation
 - Holiday
 - Sick
 - Pension/Retirement Plan
 - 401K/457 Matching
 - Medical/Dental
 - Life Insurance
 - Disability Insurance
 - Transit Subsidy
 - Tuition Assistance
 - Others
10. Accounting and payroll records to support CEO total compensation for calendar year 2011, such as pay stub and/or other documents showing his base salary, bonus, leave buy out, etc.
11. The amount (or the percentage) of annual pay increase (cost of living adjustment) given to all employees of the Authority from 2007 to 2011.
12. List of names of authorized staff who have corporate credit cards and copies of the credit card statements from January 1, 2011 to November 30, 2011.

OIG Request for Information to the Authorities

13. List of all policies and procedures implemented by the Authority and the effective date for each policy. Provide copies of any policies pertain to the following expenditures:
- Travel
 - Per Diem
 - Business Meals
 - Training/Conference
 - Membership
 - Use of Authority Purchase Cards
 - Cash-Out of Vacation or Sick Leave Time
 - Accumulation of Vacation Time (i.e., ceiling or maximum to be accumulated.)
14. Reports of audits or review issued in the past 2 years.
15. Charts of accounts for all expenses/expenditures including account number, account name and account description.

This is the initial list of items requested for this review.
Additional information or documents may be needed as the review progresses.

Staffing Plan – Metro Gold Line Foothill Extension Construction Authority

Table C-1: Metro Gold Line Full-Time Employees as of December 15, 2011

| | Job Title of Authorized Positions | Current Annual Salary (\$) | Position Salary Range (\$) | |
|----|--|-----------------------------------|-----------------------------------|------------|
| 1 | Chief Executive Officer | \$ 283,260 | \$ 229,918 | \$ 306,557 |
| 2 | Chief Financial Officer | 202,650 | 153,279 | 229,918 |
| 3 | Chief Project Officer | 190,992 | 153,279 | 229,918 |
| 4 | Director of Construction | 175,610 | 137,951 | 199,262 |
| 5 | Chief Contracting Officer | 175,076 | 153,279 | 229,918 |
| 6 | Director of Public Affairs | 169,771 | 137,951 | 199,262 |
| 7 | Clerk of the Board/Personnel Manager | 146,544 | 107,295 | 153,279 |
| 8 | Administrative Manager | 142,275 | 107,295 | 153,279 |
| 9 | Accountant | 119,988 | 76,639 | 137,951 |
| 10 | Community Outreach Coordinator | 99,116 | 76,639 | 137,951 |
| 11 | Project Coordinator | 94,550 | 76,639 | 137,951 |
| 12 | Media Coordinator | 93,900 | 76,639 | 137,951 |
| 13 | Administrative Assistant | 64,730 | 45,984 | 91,967 |
| 14 | Receptionist | 46,765 | 30,656 | 61,311 |
| 15 | Director of Planning | Vacant | 137,951 | 199,262 |
| 16 | Grants Administrator | Vacant | 76,639 | 137,951 |

Staffing Plan – Metro Gold Line Foothill Extension Construction Authority

Table C-2: Metro Gold Line Contract Employees as of December 15, 2011

| | Job Title | Home Company | Hourly Pay Rate (\$) | Hours Worked Per Week |
|----|-------------------------------|---------------------------|-----------------------------|------------------------------|
| 1 | Project Manager | Hill International | \$ 112.98 | 12 |
| 2 | Director of Systems | Hill International | 76.92 | 40 |
| 3 | Systems Manager | Hill International | 75.27 | 40 |
| 4 | Project Scheduling | Hill International | 73.80 | 40 |
| 5 | 3 rd Party Manager | Hill International | 71.63 | 40 |
| 6 | Project Administrator | Hill International | 60.00 | 32 |
| 7 | Contract Manager | Hill International | 58.89 | 40 |
| 8 | Station Coordinator | Hill International | 54.09 | 40 |
| 9 | Document Control | Hill International | 29.81 | 40 |
| 10 | Art Manager | Elwood & Associates | 100.00 | 8 |
| 11 | Director of Engineering | Jacobs Engineering | 81.50 | 40 |
| 12 | Real Estate Manager | Maxima Group | 79.00 | 8 |
| 13 | Environmental Manager | Kroner Environmental | 75.00 | 8 |
| 14 | Civil Engineer | JL Patterson & Associates | 47.50 | 40 |

Staffing Plan – Metro Gold Line Foothill Extension Construction Authority

Table C-3: Metro Gold Line Consultants as of December 15, 2011

| | Name of Consultant | Size of Firm | Contract Amount (\$) | Hourly Rate | Contract Period | Scope of Services |
|----|---------------------------|---------------------|-----------------------------|--------------------|------------------------|--------------------------------------|
| 1 | Hill International | 100+ | 16,208,908 | Varies | 04/01/09-06/30/12 | Program Management |
| 2 | Parsons Brinkerhoff | 100+ | 2,755,000 | Varies | 02/09/10-12/09/12 | FTA NEPA CEQA |
| 3 | Richards Watson Gershon | 50+ | 1,950,000 | Varies | 09/01/09-03/28/12 | General Counsel |
| 4 | Parsons Brinkerhoff | 100+ | 1,719,435 | Varies | 10/05/09-06/30/12 | FTA Bus Interface Plan |
| 5 | IBI Group | 20+ | 899,489 | Varies | 09/30/10-06/30/12 | FTA Corridor Study |
| 6 | Nossaman | 50+ | 750,000 | Varies | 12/07/09-06/30/12 | Design Build Legal |
| 7 | Lewis Brisbois Bisgaard | 10+ | 448,200 | Varies | 04/02/10-06/30/12 | M&O Legal Counsel |
| 8 | Diamond Networks | 3 | 410,000 | Varies | 07/01/06-06/30/12 | Network Administration |
| 9 | Baker Donelson | 3 | 193,600 | Lump Sum | 09/09/10-06/30/12 | Government Relations |
| 10 | Lopez and Company | 20+ | 93,440 | Varies | 07/11/11-12/31/14 | Financial Auditors |
| 11 | Fiona Hutton & Associates | 2 | 65,000 | Varies | 09/30/11-06/30/12 | Strategic Media and Public Relations |
| 12 | Aaron Read & Associates | 1 | 49,998 | Lump Sum | 07/25/11-01/31/12 | Government Relations |

Staffing Plan – Exposition Metro Line Construction Authority

Table D-1: Exposition Metro Line Full-Time Employees as of January 5, 2012

| | Job Title of Authorized Positions | Current Annual Salary (\$) | Position Salary Range (\$) | |
|----|--|---------------------------------|----------------------------|------------|
| 1 | Chief Executive Officer | \$ 334,081 | \$ 235,848 | \$ 339,643 |
| 2 | Chief Project Officer | 261,290 | 193,646 | 265,997 |
| 3 | Chief Operating Officer | 176,883 | 134,157 | 201,247 |
| 4 | Director of Project Management | 165,000 | 120,741 | 174,407 |
| 5 | Director of Finance | 159,661 | 120,741 | 174,407 |
| 6 | Transportation Project Director | 141,274 | 120,741 | 174,407 |
| 7 | Senior Construction Manager | 139,048 | 94,835 | 142,230 |
| 8 | Senior Project Control Manager | 126,131 | 94,835 | 142,230 |
| 9 | Senior Procurement Manager | 113,298 | 94,835 | 142,230 |
| 10 | Finance Manager | 96,761 | 65,125 | 117,225 |
| 11 | Contract Administrator | 95,014 | 65,125 | 117,225 |
| 12 | Board Secretary | 90,418 | 65,125 | 117,225 |
| 13 | Government/Community Relations Manager | 86,986 | 65,125 | 117,225 |
| 14 | Document Control Manager | 82,000 | 65,125 | 117,225 |
| 15 | Document Control Manager | 80,001 | 65,125 | 117,225 |
| 16 | Government/Community Relations Representative | 70,000 | 40,247 | 78,149 |
| 17 | Third Party Administrator | 60,008 | 40,247 | 78,149 |
| 18 | Administrative Aide | 56,659 | 40,247 | 60,960 |
| 19 | Receptionist/Secretary | 43,014 | 25,723 | 51,449 |
| 20 | Administrative Aide | 42,001 | 40,247 | 78,149 |
| 21 | Director of Engineering and Construction for Phase 1 | Vacant | 120,741 | 174,407 |
| 22 | Government/Community Relations Representative | Vacant | 40,247 | 78,149 |
| 23 | Senior Manager – Systems | Filled by Metro employee | 94,835 | 142,230 |
| 24 | Senior Manager – Maintenance Facility | Filled by ½ time Metro employee | 94,835 | 142,230 |
| 25 | Director of Engineering and Construction for Phase 2 | Vacant | 120,741 | 174,407 |
| 26 | Manager – Third Party Coordinator | Filled by contract employee | 120,741 | 174,407 |

Staffing Plan – Exposition Metro Line Construction Authority

Table D-2: Expo Metro Line Contract Employees, January 1, 2012

| | Job Title | Home Company | Hourly Pay Rate (\$) | Hours Worked Per Week |
|----|----------------------------------|------------------------|-----------------------------|------------------------------|
| 1 | Project Advisor | Independent Consultant | \$ 120.69 | See note below |
| 2 | Change Ctl/CO Mgr. 2 | Independent Consultant | 86.19 | |
| 3 | Document Control Clerk 1 | Temporary | 11.20 | |
| 4 | Project Architect | URS | 56.56 | |
| 5 | Project Engr. - LA | URS | 72.50 | |
| 6 | Utility Coordinator | URS | 60.33 | |
| 7 | Sr. Geotech Engineer | URS | 69.16 | |
| 8 | Geotech Engineer | URS | 29.20 | |
| 9 | Project Engr. – Santa Monica | URS | 58.33 | |
| 10 | Trackwork Engineer | URS | 84.14 | |
| 11 | Noise Specialist | URS | 88.96 | |
| 12 | Environ Field Technician (PT) | URS | 33.52 | |
| 13 | Inspector – Utilities | URS | 53.08 | |
| 14 | DB Coordinator | URS | 45.06 | |
| 15 | Utility Field Coordinator | URS | 58.00 | |
| 16 | Quality Assurance Mgr. 2 | URS | 72.52 | |
| 17 | Engr. Manager Phase 2 | URS Sub | 79.75 | |
| 18 | Traffic Engineer | URS Sub | 62.77 | |
| 19 | Structural Engr. 2 - VBU | URS Sub | 78.50 | |
| 20 | VBU Project Design Engineer | URS Sub | 58.97 | |
| 21 | Sr. Civil Engineer | URS Sub | 85.91 | |
| 22 | Drainage Engineer | URS Sub | 49.16 | |
| 23 | OCS Engineer | URS Sub | 35.45 | |
| 24 | Environ Compliance Manager | URS Sub | 75.76 | |
| 25 | Maintenance Facility Manager | URS Sub | 78.09 | |
| 26 | Electrical Specialist | URS Sub | 47.00 | |
| 27 | Sr. Scheduler 2/Project Controls | URS Sub | 61.54 | |
| 28 | Estimator 2 | URS Sub | 72.66 | |
| 29 | Change Ctl/CO Mgr. 2 | URS Sub | 57.15 | ↓ |

Note: Expo staff stated that contract employees work on an as needed basis from 0 to 40 hours depending on the week.

Staffing Plan – Exposition Metro Line Construction Authority

Table D-3: Expo Metro Line Additional Consultants, January 1, 2012

| | Consultant Firm | Weekly Hours |
|----|------------------------------|---------------------|
| 1 | Aecom | 8-40 hours |
| 2 | AT-Tech (temporary staffing) | 8-40 hours |
| 3 | Bond & Kennedy | 8-40 hours |
| 4 | CER Scheduling | 8-40 hours |
| 5 | Consensus | 8-40 hours |
| 6 | Destination Enterprises | 8-40 hours |
| 7 | Fernando Alegria | 8-40 hours |
| 8 | Jacobs | 8-40 hours |
| 9 | Jones & Stokes | as needed |
| 10 | Kroner Environmental | as needed |
| 11 | Nossaman | as needed |
| 12 | Padilla & Associates | 8-20 hours |
| 13 | Patterson | as needed |
| 14 | Theodora Oringher | as needed |
| 15 | Thomas Stone | 16-24 hours |
| 16 | URS | 8-40 hours |

Staffing Plan - Alameda Corridor-East Construction Authority

Table E-1: ACE Full-Time Employees as of December 15, 2011

| | Job Title of Authorized Positions | Current Annual Salary (\$) | Position Salary Range (\$) | |
|----|---|-----------------------------------|-----------------------------------|------------|
| 1 | Chief Executive Officer | \$ 233,661 | \$ 174,999 | \$ 233,661 |
| 2 | Director of Government Relations | 177,687 | 137,082 | 209,177 |
| 3 | Senior Project Manager | 176,853 | 125,860 | 181,367 |
| 4 | Senior Project Manager | 175,100 | 125,860 | 181,367 |
| 5 | Senior Project Manager | 169,125 | 125,860 | 181,367 |
| 6 | Senior Project Manager | 162,699 | 125,860 | 181,367 |
| 7 | Director of Finance | 148,591 | 125,860 | 181,367 |
| 8 | Audits/Grants Manager | 114,296 | 73,698 | 132,657 |
| 9 | Contracts Manager | 112,350 | 103,132 | 147,397 |
| 10 | Utilities Coordinator | 105,000 | 80,978 | 121,445 |
| 11 | Office Manager | 103,064 | 69,923 | 125,860 |
| 12 | Contract Auditor | 95,159 | 57,346 | 95,431 |
| 13 | Senior Procurement Administrator | 89,000 | 77,009 | 117,753 |
| 14 | Contract Auditor | 82,547 | 57,346 | 95,431 |
| 15 | Accountant | 67,070 | 55,187 | 82,500 |
| 16 | IT Administrator | 60,446 | 59,859 | 91,728 |
| 17 | Administrative Assistant – Document Control | 57,918 | 55,191 | 82,450 |
| 18 | Secretary–Document Control | 51,740 | 46,634 | 69,979 |
| 19 | Secretary–Document Control | 49,754 | 46,634 | 69,979 |
| 20 | Secretary – Receptionist | 47,895 | 46,634 | 69,979 |
| 21 | Chief Engineer | Vacant | 185,000 | 220,000 |
| 22 | Engineering Assistant | Vacant | 79,390 | 119,064 |
| 23 | Engineering Assistant | Vacant | 79,390 | 119,064 |
| 24 | Procurement Administrator | Vacant | 58,685 | 89,929 |

Staffing Plan - Alameda Corridor-East Construction Authority

Table E-2: ACE Part-Time Employee as of December 15, 2011

| | Job Title of Part Time Position | Hourly Pay Rate (\$) | Hours Worked Per Week |
|---|--|-----------------------------|------------------------------|
| 1 | Accounting Clerk | \$ 24.00 | 24 |

Table E-3: ACE Contract Employees as of December 15, 2011

| | Job Title | Home Company | Hourly Pay Rate (\$) | Hours Worked Per Week |
|---|---------------------|---------------------|-----------------------------|------------------------------|
| 1 | Project Manager | Lee Andrews Group | \$ 51.00 | 40 |
| 2 | Outreach Specialist | Lee Andrews Group | 38.78 | 40 |
| 3 | Outreach Specialist | Lee Andrews Group | 38.78 | 40 |

Table E-4: ACE Consultants as of December 15, 2011

| | Name of Consultant | Size of Firm | Contract Amount (\$) | Hourly Rate | Contract Period | Scope of Services |
|---|--|---------------------|-----------------------------|--------------------|---|---|
| 1 | AECOM Technology Services (fka Lim and Nascimento) | 6 | \$ 204,645 | Varies | 06/21/01-03/31/12 | Pre-Construction Management Services |
| 2 | AECOM Technology Services (fka Urn and Nascimento) | 25+ | 15,399,082 | Varies | 01/28/02-Upon completion of grade sep. projects | Construction Management Services |
| 3 | BICEP | 2 | 770,000 | Lump Sum | 04/10/01-06/30/12 | Risk Management Services |
| 4 | Burke, Williams & Sorensen, LLP | 3+ | 1,185,040 | Varies | 05/11/09-06/30/12 | General Counsel & Property Acquisition Legal Services |
| 5 | Capital Representation Group | 1 | 759,700 | \$200 | 02/1/99-06/30/12 | Legislative Services |
| 6 | David Lang & Associates | 2 | 285,552 | Varies | 07/01/08-06/30/12 | Community Outreach |
| 7 | Del Richardson & Associates, Inc. | 7 | 637,255 | Varies | 07/01/08-06/30/12 | Right of Way Relocation Assistance Services |
| 8 | Epic Land Solutions, Inc. | 20+ | 1,922,292 | Varies | 08/24/09-06/30/12 | Property Acquisition and Relocation Assistance Services |
| 9 | First Southwest Company | 3 | 252,525 | Lump Sum | 09/15/00-06/30/12 | Financial Advisory Services |

Staffing Plan - Alameda Corridor-East Construction Authority

| | Name of Consultant | Size of Firm | Contract Amount (\$) | Hourly Rate | Contract Period | Scope of Services |
|----|--|--------------|----------------------|-------------|---|---|
| 10 | Hunt, Ortmann, Blascoe, PaIffy & Rossell, Inc. | 5 | \$ 315,937 | Varies | 11/01/00-06/30/12 | Construction Legal Services |
| 11 | J.L. Patterson & Associates, Inc. | 10+ | 216,056 | Varies | 07/01/08-06/30/12 | Railroad Engineering & Railroad Safety Training |
| 12 | Jagdish Shah | 1 | 50,000 | \$160 | 07/25/11-06/30/12 | Quality Assurance/Quality Control Services |
| 13 | Jacobs Management Co. | 30+ | 18,313,000 | Varies | 06/06/11-09/30/12 | Construction Management Services |
| 14 | KOA Corporation | 15 | 734,958 | Varies | 05/11/09-12/31/11 | Phase II Grade Separation Traffic Studies & Concept Plans |
| 15 | LSA Associates, Inc. | 25+ | 231,048 | Varies | 04/25/11-06/30/12 | Environmental Services |
| 16 | MWH Americas, Inc. | 15+ | 852,923 | Varies | 07/01/08-06/30/12 | Environmental Management |
| 17 | Oliver, Sandifer & Murphy | 10+ | 450,000 | Varies | 05/11/09-06/30/12 | Property Acquisition Legal Services |
| 18 | PB Americas, Inc. | 10+ | 14,610,661 | Varies | 02/25/02-upon completion of grade sep. projects | Construction Management Services |
| 19 | PB Americas, Inc. | 15+ | 5,481,520 | Varies | 08/23/2010 – Upon completion of Nogales project | Construction Management Services Nogales |
| 20 | Padilla & Associates, Inc. | 3 | 1,446,973 | Varies | 01/01/01-06/30/12 | DBE & Labor Compliance Monitoring Services |
| 21 | Paragon Partners | 15+ | 5,746,871 | Varies | 07/01/08-06/30/12 | Right of Way Acquisition Services |
| 22 | Prince Global Solutions | 1 | 880,669 | Lump Sum | 03/01/08-06/30/12 | Federal Legislative Advocacy |
| 23 | SWCA Environmental Consultants | 50+ | 3,562,677 | Lump Sum | 08/22/11-06/30/12 | Cultural Resources Management Services for San Gabriel Trench |
| 24 | Vasquez & Company | 3+ | 106,500 | Lump Sum | 02/23/09-06/30/13 | Financial Audit Services |
| 25 | Wagner Engineering & Survey | 10+ | 857,570 | Varies | 07/01/08-06/30/12 | Surveying & Mapping |

Chief Executive Officers' Contracts and Other Benefits

| | Gold Line | Expo | ACE |
|-------------------------------|---|--|--|
| Retirement | Contract does not discuss CEO's retirement. The CEO has the same retirement plan as other Authority staff (CalPers 2.5% at 55), which is authorized by the Authority's Personnel Manual. The Authority makes both employer and employee contributions to CalPers. | Contract states that Expo will provide the CEO a PARS retirement plan (3.5% at 60), lifetime health benefits, plus 2 extra years of service credit if the CEO stays on until June 2014. Other Expo employees are enrolled in PARS or PERS with retirement benefit of 2.5% at 55. | Contract states that ACE will contribute to both the CEO's and ACE's share of the retirement plan. (The CEO has the same retirement plan as other Authority staff, CalPers 2% at 55). |
| Deferred Compensation | Not discussed in contract. | Contract includes defined 457 contribution plan with 4% matched maximum; on March 6, 2008, the Expo Board increased Expo's 457 contribution by an additional 3.5%, up to the contribution maximum, currently \$22,000. | Contract states CEO can participate in 457 plan. (There is no employer matching.) |
| Incentives and Bonuses | Contract states for every performance milestone met, the CEO's bonus is 5% of base salary; in addition, for every three performance milestones met, the base salary is increased by 5%. | Based of personal milestones met, the contract provides for a bonus not to exceed 7.5% of base salary in either a lump-sum or by increasing base salary for the next year, or combination. | Contract states ACE will modify CEO's "compensation to include an incentive pay component that will be based on specific performance goals." (No details on amounts or how often this will be done.) |
| Housing | Not discussed in contract. | Contract provides for a biweekly housing allowance of \$375. | Not discussed in contract. |
| Insurance | Contract provides for disability coverage equal to two-thirds of CEO's salary. Although not discussed in the contract, the CEO receives health, dental, and vision insurance that is available to all Authority staff. | Contract provides for disability insurance. Contract states that Expo shall pay the cost of standard rate life insurance in the amount of twice annual salary. Contract also provides for life time medical benefits. | Contract provides for disability, health, dental, vision, and life insurance. |
| Leave | Contract provides for 66 days of paid sick/vacation per year with the option of buying out unused days. | Contract includes 30 days of sick/vacation per year. | Contract includes 30 days of vacation/sick leave per year. (CEO currently receives 35 days of paid vacation/sick leave a year.) |
| Transportation | Contract states CEO has full use of an Authority automobile. | Contract states CEO has full use of an automobile. | Contract includes \$500 monthly automobile allowance. |
| Other Benefits | Contract states Authority will pay reasonable professional advancement for CEO. | Contract provides CEO with cost of dues, subscriptions for professional membership, and engineer license. | Not discussed in contract. |

**Salaries of Top Executives of Other Government Agencies
As of February 1, 2012**

| Agency Name | Title of Agency Head | Current Salary | FY 2012 Budget (In Millions) | Staffing (approximate) |
|---|------------------------------|-----------------------|---|-----------------------------------|
| California High Speed Rail Authority | Chief Executive Officer | \$ 375,000 | \$155.0 | 50 |
| County of Los Angeles | Chief Executive Officer | \$ 338,458 | \$26,479.6 | 101,300 |
| Los Angeles Metro | Chief Executive Officer | \$ 310,000 | \$4,152.0 | 8,800 |
| Bay Area Rapid Transit | General Manager | \$ 300,000 | \$610.9 | 3,200 |
| San Francisco Municipal Transportation Agency | Chief Executive Officer | \$ 294,000 | \$404.7 | 4,500 |
| Santa Clara Valley Transit Administration | General Manager | \$ 290,000 | \$364.0 | 2,100 |
| Orange County Transportation Authority | Chief Executive Officer | \$ 280,008 | \$1,100.0 | 1,600 |
| San Diego Metropolitan Transit System | Chief Executive Officer | \$ 279,300 | \$233.0 | 1,300 |
| Metrolink (SCRRA) | Chief Executive Officer | \$ 275,000 | \$180.0 | 250 |
| City of Los Angeles | Chief Administrative Officer | \$ 256,803 | \$6,900.0 | 44,000 |
| Sonoma-Marín Area Rail Transit | General Manager | \$ 248,000 | \$84.6 | 16 |
| Average Salary | | \$ 295,142 | | |

Each of the government agencies is unique and has different criteria for determining compensation and each position requires different job skills.

Summary of Business Expense Policies

Table F-1: Travel and Per Diem

| Authority | Key Issues Covered by Policies |
|-----------|--|
| Gold Line | <ul style="list-style-type: none"> • Travel. Travel Authorization Form needs to be completed and approved for all travel. Receipts are required for submitting expense reports. Traveler should use the most economical means possible. First class and business class are prohibited. Any exception shall be approved by the CEO. Personal expenses at the hotel are not allowed. • Per diem for Lodging. For out-of-state travel, should stay in business class hotels such as Hyatt, Hilton and Marriott or conference hotel. For in-state travel, maximum lodging allowance is between \$84 and \$140 plus tax or \$84 plus tax depending on the city. • Per Diem for Meals. If no overnight stay, employees get a total of \$40 per day with breakfast, lunch, dinner, and incidentals separated. For overnight travel, the per diem is \$90 per day. No meals will be reimbursed if meals are provided as part of a meeting, conference, or seminar. • Ground Transportation. Taxi or car service is allowable where necessary and reasonable with approval of the CEO. Use of public transit is encouraged. • Mileage. Mileage is reimbursed at the current IRS mileage rate. |
| Expo | <ul style="list-style-type: none"> • Travel. For all travel, budgeted funds must be available. Approval is required. First class and business class air tickets are prohibited, with exceptions approved by CEO. Authority should follow IRS guidelines for reimbursement. • Per Diem for Lodging. Limited to cost of room plus related taxes. When possible, Government rates shall be obtained, then group rates, then lowest reasonable rate. Exception can be made for hotels where a conference is held. • Per Diem for Meals. “Reasonable expenses” for meals are authorized. Traveler receives per diem in accordance with IRS rates or actual reimbursement not to exceed \$75 per day. • Ground Transportation. Out of town expenses for vehicle rentals, taxi, and transit fare are allowed where necessary and reasonable. Receipts must be provided. Use of rental vehicle will require a justification. • Mileage. Mileage is reimbursed at the IRS rate. |
| ACE | <ul style="list-style-type: none"> • Travel. Seek reduced fares. A request for travel form must be completed and approved for all travel. An expense report with receipts must be submitted when requesting reimbursement. • Per Diem for Lodging. Employees receive the Government rate where available. • Per Diem for Meals. Employees receive the per diem rates published by the IRS. • Ground Transportation. Employees are instructed to use less costly ground transportation, such as airport shuttles. • Mileage. Mileage is reimbursed at the current IRS mileage rate. |

Table F-2: Training

| Authority | Key Issues Covered by Policies |
|-----------|---|
| Gold Line | <ul style="list-style-type: none"> • Employees shall be reimbursed for expenses resulting from receptions, dinners, or attend events for professional development. |
| Expo | <ul style="list-style-type: none"> • Expo does not have a policy because they do not participate in outside training at cost. |
| ACE | <ul style="list-style-type: none"> • Training will be reimbursed if first approved by the CEO. • Tuition/book expenses will be reimbursed up to \$1,000 per fiscal year for education at an accredited institution that has been pre-approved by the CEO. |

Summary of Business Expense Policies

Table F-3: Business Meals

| Authority | Key Issues Covered by Policies |
|-----------|---|
| Gold Line | <ul style="list-style-type: none"> • Business Meals. Business meals with others are reimbursed if supported with original receipts, documentation of attendees, date, name, title, subject discussed, amount paid and purpose, and benefit to the Authority. • Meals for In-House Staff. Staff business meals may be provided for business where it is impractical for staff to obtain their own meals. |
| Expo | <ul style="list-style-type: none"> • Business Meals. Reimbursed business meals must include persons from outside organizations, agencies and corporations or necessary to conduct Authority business. Expenses must be reasonable, budgeted, and related to Expo business. • Meals for In-House Staff. Meals for staff may be provided when in a facilitated work session, retreat, or during situations in which it may be impractical or difficult for staff to obtain their own meals. |
| ACE | <ul style="list-style-type: none"> • Business Meals. The hosting of non-ACE personnel should be approved by the CEO. Meal expenses must be justified in terms of ACE benefit. • Meals for In-House Staff. Not discussed specifically in policy. |

Table F-4: Membership

| Authority | Key Issues Covered by Policies |
|-----------|---|
| Gold Line | <ul style="list-style-type: none"> • Authority pays up to \$250 per year for job related professional memberships. |
| Expo | <ul style="list-style-type: none"> • The Personnel Policy and Employee Manual does not discuss membership reimbursement for staff. |
| ACE | <ul style="list-style-type: none"> • ACE will sponsor professional memberships up to \$500 per fiscal year per employee subject to availability of funds. The organization must be directly relevant to the primary business of ACE. |

Comparison of Best Practices to Policies of Construction Authorities

| Business Expenses | Best Practices (12 Agencies) | Gold Line Construction Authority | Exposition Metro Line Construction Authority | Alameda Corridor-East Construction Authority |
|---|--|---|---|---|
| DOMESTIC TRAVEL | | | | |
| Travel (Airfare, bus, train) | Coach/economy class or lowest fare available. | Coach/economy class. Exceptions must be approved by CEO. | Coach/economy class only. | Should seek "reduced" fares. |
| Hotel/Lodging (Travel > 50 miles) | IRS/GSA per diem rate when available. Reasonable rates when it is not available. | "Business Class" Hotel. (Hyatt, Hilton, Marriott) | IRS per diem rate when available. | IRS/GSA per diem rate when available. |
| Per Diem (Meals for Travel > 50 miles) | IRS/GSA per diem rate. | Maximum of \$90 per day. | IRS per diem rate or actual costs not to exceed \$75/day. | IRS per diem rate. Additional per diem limitation: 20% for breakfast, 25% for lunch, and 55% for dinner. |
| Mileage | IRS rate. For long distances, the total can't be more than the cost of airfare. | IRS rate. | IRS or GSA rates. | IRS rate. |
| Rental Cars | Use most economical and appropriately sized vehicles. | Allowed if reasonable. | Allowed. | Not discussed specifically in policy. |
| Ground Transportation | Use most economical and practical means of transportation | Public transit is encouraged. Taxi and car service is allowed if reasonable and necessary. | Local public transportation should be used. Taxi fare allowed when necessary and reasonable. | "Less costly ground transportation" encouraged. |
| TRAINING | | | | |
| Training | Reimburse costs for approved training. | Training costs are reimbursed. | Expo does not have a policy on reimbursing training costs because they do not participate in outside training at cost. | Approved training costs are reimbursed. Tuition/book expenses reimbursed up to \$1,000 per fiscal year. |
| MISCELLANEOUS | | | | |
| Miscellaneous – (e.g., parking, tolls, laundry, etc.) | Reasonable misc expenses should be reimbursed. Preapproved and established limits should be set. | Allows for reasonable misc expenses related to business. | Allows for misc expenses related to business. | Allows for reasonable misc expenses related to business. |
| Business Meals | Should include non-agency attendees. A list of attendees and the purpose must be documented. | Must document attendees, date and subject discussed. | Must include persons from outside the organization. Be reasonable. | The hosting of non-ACE personnel should be approved in advance by the CEO. Local meals are allowed if incurred while conducting ACE business. |
| Meals In-House for Staff | Allow for working lunches or dinners that are required for completing agency business. | May be provided when it's impractical for staff to obtain their own meals. Requires CEO approval. | Provided when in a facilitated work session, retreat, or during situations in which it may be impractical or difficult for staff to obtain their own meals. | Not discussed specifically in policy. |

EXHIBIT A

Advisory Memo on Metro Gold Line Foothill Extension Construction Authority



Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7343 Fax

February 24, 2012

Habib Balian, Chief Executive Officer
Metro Gold Line Foothill Extension Construction Authority
406 E. Huntington Drive, Suite 202
Monrovia, CA 91016

SUBJECT: Advisory Letter to Metro Gold Line Foothill Extension Construction Authority
(12-AUD-09)

Dear Mr. Balian:

Summarized below are observations we made during the review requested by the Metro Board of the Metro Gold Line Foothill Construction Authority.

A. Matters Related to Compliance

During our review of 66 credit card purchases, we found several non-compliance matters related to business meals and travel authorization:

1. **Business Meals.** The Gold Line's policies (revised on December 15, 2010 and November 16, 2011) require that business meal reimbursements include original receipts, documentation of attendees, date, name, title, affiliation, subject discussed, amount paid, purpose and benefit to the Gold Line. We found that business meals were not itemized and were not properly documented. Documentations of attendees, name, subject discussed, and purpose of the business meals were created after a self audit in October 2011.

Suggestion A1. The Gold Line should ensure that all business meal reimbursements follow Authority policy and include the original receipt, documentation of attendees, date, name, title, affiliation, subject discussed, amount paid, purpose and benefit to the Authority.

2. **Travel.** The Gold Line's travel policy states that, "*for all travel, a 'Travel Authorization Form' shall be completed and approved by the Authority.*" During 2011, several Gold Line travelers made trips to Washington, DC that were paid for by the Gold Line. However, we found that Travel Authorization forms were not on file for these trips.

Suggestion A2. The Gold Line should ensure that all employees, officers, and Board Members obtain written approval on the "Travel Authorization Form" prior to any travel per the Authority policy. Also, CEO and Board members should obtain written approval

from the Board Chair, and the Chair should obtain written approval from the Board Vice-Chair. This approval hierarchy should be included in the travel policies.

B. Opportunities to Improve Policies

During our review, we identified the following areas where the policies on travel and other business expenses can be improved on.

1. **Airfare.** On several occasions, a Gold Line traveler flew on Business Class to Washington, DC in 2011, which was not prohibited by Authority policy at the time of travel. Gold Line's former travel policies did not discuss airfares. Subsequently, in November 2011, the Authority revised its travel policy to state: *“travel should be booked at the most economical means possible...First class and business class tickets are prohibited. Any exceptions shall be approved by the CEO.”* Although this policy revision is a good step towards strengthening controls, the CEO should not approve exceptions for his own air tickets.

Suggestion B1: To further strengthened controls, we believe that the Gold Line should revise travel policies to require (a) written approval and reason for any exceptions to the prohibition of the use of First Class and Business Class airfare, and (b) the CEO and Board members receive written approval for any exceptions from the Board Chair, and the Board Chair's travel should receive written approval from the Board Vice Chair.

2. **Per Diem.** The Gold Line travel policies do not require the use of Government per diem rates. We surveyed 12 Government entities (including 8 transit agencies) to determine best practices. We found that the best practice is to use Government per diem rates (IRS or U.S. General Services Administration).
 - a. **Lodging Per Diem Rates.** Our review of lodging expenses showed that Gold Line travelers stayed at hotels costing \$380 to \$469 per night before taxes during travel to Washington, DC in 2011, which was not prohibited by Authority policy at the time of travel. The maximum Government lodging rate for Washington, DC is \$226. Subsequent to the above travel in November 2011, the Gold Line revised the travel policy to state: *“Hotel shall be a business class hotel comparable to major brands such as Hyatt, Hilton and Marriott...”*
 - b. **Meals and Incidentals Per Diem Rates.** The Gold Line's current travel policy states that meal expenses for breakfast, lunch, dinner, and incidentals will be reimbursed at a rate not to exceed \$90 per day. This rate exceeds the highest Government per diem rate of \$71 for meals and incidentals.

Suggestion B2. The Gold Line should revise its travel policies to require the use of Government (IRS or GSA) per diem rates for lodging and meals apply, unless original receipts for meals are produced in which case the reimbursement shall be actual meal expenses up to \$90 per day. The policies should also require that any exceptions to the Government per diem rates be approved in writing by the CEO or by the Board Chair for

CEO and other Board member travel. In addition, if Gold Line travelers cannot obtain Government lodging rates they should consider seeking the assistance of the Metro Travel Coordinator or creating a letter certifying the Authority is a government entity and providing a copy of the letter to travelers.

3. **Ground Transportation**. On several trips, a Gold Line traveler used a car service to travel to and from the airport and hotel in Washington, DC, costing \$180 each round trip. This was not against Authority policy at the time of travel. Subsequently, in November 2011, the Authority revised travel policies to state that “*with approval of the CEO, taxi or car service is allowable where necessary and reasonable...Use of public transit is encouraged when available.*” However, the revised policies do not require exceptions be approved in writing with reasons for the exception. Any exceptions for the CEO or Board members should be approved by the Board Chair, and any exceptions for the Chair should be approved by the Vice Chair.

Suggestion B3. The Gold Line should revise travel policies to require written approvals and written reasons for any exceptions to the existing policy to use public transportation when available. Any exceptions for the CEO should be approved by the Board Chair.

4. **Corporate Credit Card**. The Gold Line issued corporate United Mileages Plus credit cards to authorized users. During our review we noted the following matters related to the corporate credit card.
 - a. **Inappropriate Items Charged to Corporate Credit Card**. We found that several inappropriate expenses were charged to the Gold Line-issued credit cards. These expense were for movies during hotel stays, alcoholic beverages, and airfare for a family member. Although users immediately reimbursed the Gold Line for these personal expenses, these types of expenses should have been paid with personal funds or personal credit cards. Subsequently in November 2011, the Gold Line revised its Credit Card Use policy to state that, “*users agree not to purchase the following with the procurement card: personal service; amusement and entertainment services; alcoholic beverages; and other supplies or services as prohibited by law.*”
 - b. **Policy on Rewards**. There were no procedures for requiring that the mileage earned from the Gold Line corporate credit cards be used for Gold Line business. According to the United Mileage Plus credit card website, the users earn 2 miles per \$1 spent on tickets purchased from United or Continental and 1 mile per \$1 spent on all other purchases. Gold Line officials stated that mileage has not been redeemed for personal reason. Gold Line staff contacted the credit card company to return the mileage balance on the corporate credit card, but they were advised that they could not return the miles. Subsequently, in October 2011, a Gold Line employee paid the Authority \$1,400 for the miles he accumulated while using the corporate credit card. The Authority discontinued the United Mileage Plus credit cards in January 2012.

- c. Late Payments. We found that in 2011 the Authority incurred interest penalties totaling \$583 on past due credit card balances. This occurred because procedures required two Board member signatures on the Gold Line checks. The Gold Line staff stated that Board members are not available on a daily basis, and they held the payment checks until the next Board meeting. Subsequently, the Gold Line changed procedures and is now sending the checks to Board members for signature.
- d. Annual Credit Card Fee. We found that the credit card company charged \$75 per year annual usage fee for the main card and \$25 per year annual usage fee for each additional user of the United Mileages Plus credit cards. In 2011, the credit card company charged annual fees totaling \$225. These fees can be avoided by using “no fee” credit cards. In early 2012, the Gold Line discontinued use of the United Mileages Plus credit cards and began using a no-fee corporate credit card.

Suggestion B3. The Gold Line should:

- a. Revise the credit card policy to prohibit card users from using the Gold Line’s corporate credit card for personal expense items. Non-business expenses should be paid for with personal funds or personal credit cards. If personal items are included on the hotel bill, prior arrangement before check out should be set by the traveler to pay these personal items separately.
- b. Develop and implement a policy that prohibits employees from personal gain from merchant rewards, rebates, and gifts. Any such rewards, rebates, or gifts should become the property of the Authority if they were earned from business expenses of the Authority.
- c. Ensure that corporate credit card statement balances are paid on time to avoid late payment charges.

C. Opportunities to Increase Transparency on Public Website

As part of our review, we visited the Gold Line’s public website to determine whether budget, financial statements, executive compensation, and other accountability/transparency information are available for public viewing. We found the Gold Line’s public website contains useful information to the public such as salary range for all staff and officers, list of Board of Directors, Board meeting minutes, contact information, news articles, and website search capability. However, the Authority could improve transparency by also making the annual Board approved budget and any appropriate financial statements available online.

In addition, the Authority’s public website does not provide information of where to report fraud, waste, or abuse to an independent entity. Authority employees and the public should have information where they can report suspected fraud, waste, or abuse. Although the Authority

does not have in-house investigative resources, it could provide links on its website to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities.

Suggestion C1. The Gold Line should consider making its public website more transparent by providing:

- Information on its budget and financial matters to prompt public confidence and demonstrate accountability.
- Links to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste, or abuse.

Sincerely,



Karen Gorman
Acting Inspector General

cc: Board of Directors Metro Gold Line Foothill Extension Construction Authority

EXHIBIT B

Advisory Memo on Alameda Corridor-East Construction Authority



Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7343 Fax

February 24, 2012

George U. Richmond, Chief Executive Officer
Alameda Corridor-East Construction Authority
4900 Rivergrade Road, Suite A120
Irwindale, CA 91706

SUBJECT: Advisory Letter to the Alameda Corridor-East Construction Authority (ACE)
(12-AUD-11)

Dear Mr. Richmond:

Summarized below are observations we made during the review requested by the Metro Board of the Alameda Corridor-East Construction Authority.

Travel Expenses

We reviewed 47 expense reports (for travel, hotel/lodging, meals, training, membership, and other expenses) during January 1 to December 31, 2011 to determine if the expenditures were in compliance with ACE policy. Except for lodging costs and meals, the expenditures we reviewed conformed to ACE policy.

- Lodging Expenses. ACE policy requires travelers to obtain the Government rate for hotels. We found three instances where the base hotel rate (excluding taxes) exceeded the IRS hotel per diem rate. The ACE employees paid \$2,431.83 for their rooms. If the per diem rate had been met, ACE would have paid \$1,750, which is \$681.83 less. See the following table for the details:

Table 1. Hotel Base Rates Paid Exceeding Government Per Diem Rates

| a | b | c | d | E | f | g | h | i |
|-------------|---------------|-------------|------------|---------------------|-----------------------|----------------|-----------------|-----------------------------|
| Voucher No. | Location | # of nights | # of rooms | Government Per Diem | | Actually Paid | | Amount Over Govt Rate (h-f) |
| | | | | Per Night | Total Allowed (e*c)*d | Base Rate Paid | Total Paid | |
| 0004768 | Washington DC | 3 | 1 | \$211.00 | \$633.00 | Varied* | \$1,117.00 | \$484.00 |
| 0005688 | Omaha, NE | 1 | 3 | \$91.00 | \$273.00 | \$149.00 | \$447.00 | \$174.00 |
| 0005002 | Washington DC | 4 | 1 | \$211.00 | <u>\$844.00</u> | Varied** | <u>\$867.83</u> | <u>\$23.83</u> |
| Totals | | | | | \$1,750.00 | | \$2,431.83 | \$681.83 |

* - Nightly rates ranged from \$229.00 to \$459.00.

** - Nightly rates ranged from \$129.95 to \$245.96.

ACE staff advised us that they diligently request the Government hotel rate; however, some hotels do not honor the Government rate because ACE employees do not have Government ID badges.

We interviewed the Metro Travel Office Coordinator to determine if Metro has similar problems obtaining the Government rate for hotel stays. The Coordinator stated that they are able to obtain the Government rate and is willing to consider assisting ACE in developing strategies for obtaining the Government rate or in making travel arrangements.

Suggestion 1. ACE should:

- Work with the Metro Travel Office to develop strategies for obtaining the Government rate for hotels.
- Explore the possibility of obtaining Government badges for employees. If this is not feasible, another alternative to consider is for the CEO/Board to issue a letter on ACE letterhead certifying the traveler is on official business for ACE and that ACE is an entity created by the San Gabriel Valley Council of Governments. Travelling employees could provide a copy to the hotels.
- Meals. According to ACE policy, employees are instructed to follow the IRS per diem meal rates with a further limitation of 20% for breakfast, 25% for lunch, and 55% for dinner. However, during our review of ACE expense reports, we found 3 instances where employees requested the full IRS per diem rates allowable without providing a breakdown to show how much was spent for each meal. As a result, we could not determine if the ACE restrictions per meal were followed.

Suggestion 2. ACE should enforce the current policy or consider removing the additional limitations from its policy.

Business Expense Policies

To determine best practices for travel, per diem, training, and other related expenses, we reviewed the policies of 12 government agencies (including 8 transit agencies.) We then compared our results to the ACE policy. We found some areas where ACE policy could be improved.

- Transportation. ACE policy states employees should schedule travel in advance to qualify for reduced airfares. It does not limit what class of travel the employee may obtain. For transportation, we determined the best practice is to limit fares to coach/economy class or the lowest fare available.

- Rental Cars. Although ACE policy states ground transportation should be at the Government rate when available, it does not specially address rental cars. We found the best practice is for travelers to use the most economical and appropriately sized vehicle when renting cars. We suggest ACE require employees to limit the size of rental cars to compact size unless there is justification for a higher size.
- Business Meals. According to ACE policy, employees are allowed to be reimbursed for local meals if it is necessary for ACE business. It also states the hosting of non-ACE personnel should be approved in advance by the CEO. As a best practice, business meals should involve at least one non-agency person, and a list of attendees and the purpose of the meal should be documented. In reviewing your expense reports, we found ACE employees did document the attendees, and non-ACE persons were present. However, ACE policy could be strengthened if it incorporated best practices.
- Meals for Staff In-House. ACE policy does not specifically address this issue. The best practice for meals in-house is to reimburse for lunches or dinners in situations where work is required for completing agency business and when it is impractical or difficult for staff to obtain their own meals. The CEO or his designee should approve such expenditures in advance. We suggest ACE include this matter in its policy in case this situation occurs in the future.

Suggestion 3: ACE should consider revising travel and business expense policies to adopt best practices.

CEO Salary

During our review, we determined that the CEO is being underpaid by \$30. In 1999, the CEO's salary was \$175,000. Over the past 12 years, the CEO has received 6 Board approved pay adjustments. Based on the amount of the 6 pay increases, we computed that the CEO is entitled to a salary of \$233,691. However, he is currently receiving \$233,661, which is a \$30 difference. We reported this issue to ACE staff and were informed that the correction would be made to the CEO's salary for 2012.

Public Website Could Be Improved

The ACE website provides a significant amount of information, such as project status, funding, and other accountability information that instills confidence in the public. However, we found two areas where transparency to the public can be improved.

- The Metro website includes a listing of top executive compensation for salaries greater than \$135,000. To further accomplish transparency, ACE should consider doing something similar.

- The Authority's public website does not provide information or where to report fraud, waste, or abuse to an independent entity. Authority employees and the public should have information where they can report suspected fraud, waste, or abuse. Although the Authority does not have in-house investigative resources, it could provide links on its website to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities.

Suggestion 4: ACE should consider making its public website more transparent by providing:

- Information on the salaries of top executives, and
- Links to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste, or abuse.

Sincerely,



Karen Gorman
Acting Inspector General

cc: Board of Directors Alameda Corridor-East Construction Authority

EXHIBIT C

Advisory Memo on Exposition Metro Line Construction Authority



Metro

Los Angeles County
Metropolitan Transportation Authority

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7343 Fax

February 24, 2012

Richard D. Thorpe, Chief Executive Officer
Exposition Metro Line Construction Authority
707 Wilshire Boulevard, 34th Floor
Los Angeles, CA 90017

SUBJECT: Advisory Letter to Exposition Metro Line Construction Authority (Expo)
(12-AUD-10)

Dear Mr. Thorpe:

Summarized below are observations we made during the review requested by the Metro Board of the Exposition Metro Line Construction Authority.

A. Matter Related to Travel Policy

Expo's Travel and Business Expense Policy states that travelers are responsible for making his/her own travel arrangements within the policy guidelines. This requires the traveler to take time to find the best available airfare, hotels, etc. If Expo made an agreement with Metro to have Metro's Travel Coordinator make these arrangements within the policy guidelines, the traveler would not have to take his/her time to do this.

Expo officials advised us that they use the Metro Travel Coordinator for conferences, seminars, etc. They said that only couple of Authority staff have traveled. Expo staff used the Metro Travel Coordinator in the past and felt that it was more efficient and economical to make travel arrangements themselves. Also, they have been able to negotiate government rates for hotels.

Suggestion 1: Expo should continuing working with the Metro Travel Coordinator when Expo needs assistance or it is efficient and economical to use this service.

B. Matters Related to the Public Website

As part of our review, we reviewed Expo's public website to determine whether enhancements could be made. While the website provides useful information to the public, we found areas where Expo could provide greater transparency. We believe the following areas should be considered for inclusion on the website:

- Annual budget information. Expo officials stated that budget information is contained in the annual April board item that is posted on the Expo public website.

We believe that it might be difficult for the public to find budget information that is contained in a board item. It would be helpful to the public and increase transparency if the annual approved budgets are posted in a separate tab or link within the Expo website.

- Compensation to top staff. The website could improve transparency by including the salaries of top executives since they are paid from public funds. Metro provides this information on its top staff on the Metro web site.
- Search capability. A search capability for the public website would enable the public to quickly find information. Metro has such a capability.

In addition, the Authority's public website does not provide information of where to report fraud, waste, or abuse to an independent entity. Authority employees and the public should have information where they can report suspected fraud, waste, or abuse. Although the Authority does not have in-house investigative resources, it could provide links on its website to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities.

Suggestion 2: Expo should consider making its public website more transparent by providing:

- Information on its annual budget, salaries of top executives,
- Website search capability or adding additional tabs or links to facilitate search for information, and
- Links to the Hotlines of the Metro OIG, Department of Transportation, or other appropriate entities, where employees and the public could report fraud, waste, or abuse.

Sincerely,



Karen Gorman
Acting Inspector General

cc: Board of Directors Exposition Metro Line Construction Authority

