

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses for the Period  
January 1, 2012 to March 31, 2012**

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Report No. 13-AUD-05

February 14, 2013





**Metro**

**Los Angeles County  
Metropolitan Transportation Authority**

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**DATE:** February 14, 2013

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

**FROM:** *Jack Shigetomi*  
Jack Shigetomi, Deputy Inspector General - Audits

**SUBJECT:** Statutorily Mandated Audit of Miscellaneous Expenses for the Period  
January 1, 2012 to March 31, 2012 (Report No. 13-AUD-05)

The Office of the Inspector General (OIG) performed an audit of miscellaneous expenses that were processed between January 1, 2012 and March 31, 2012. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses such as travel, meals, refreshments, private club dues, and membership fees.

We found most miscellaneous expense payments were properly supported and in compliance with Metro policies. However, the audit found room for improvement in several areas. Out of the 30 payments we audited, we found issues with 10 (33 percent) payments. Metro needs to strengthen controls over schedule checkers local travel; employees need to better follow Metro policies concerning check requests and travel & business expense reports; and certain policies, procedures, and guidelines need to be updated to reflect current practices.

The report makes four recommendations to update policies and improve compliance. Metro management agreed with the findings in the report and initiated actions to implement the recommendations.

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## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of miscellaneous expenses that were processed between January 1, 2012 and March 31, 2012. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses such as travel, meals, refreshments, private club dues, and membership fees.

## **OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT**

The objectives of the audit were to determine if miscellaneous expenses were adequately supported by appropriate documentation and complied with Metro policies, procedures, and guidelines. To accomplish these objectives, we obtained a list of miscellaneous payments processed from January 1, 2012 to March 31, 2012. There were 475 payments<sup>1</sup> that totaled \$603,542. We statistically selected a random sample of 30 payments, totaling \$46,832, to review for our audit. (See Appendix A for details.) Our sample covered seven types of expenses: training, business meals, employee relocation, schedule checker travel, conferences/seminars, business travel, and other miscellaneous expenses. We reviewed invoices, receipts, justification memos, and other supporting documentation for each transaction. We reviewed policies, procedures, and guidelines applicable to these transactions. We also interviewed Metro employees, including staff in Accounting, Operations, Human Resources, and Employee & Labor Relations.

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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **BACKGROUND**

Metro employees can use several options for paying for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own applicable policies, procedures, or guidelines. Employees who request Metro to directly pay for goods and services or who seek reimbursement for out-

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<sup>1</sup> This total does not include transactions that were \$200 or less, credits, OIG transactions, and some accounts that we plan to audit separately in the future.

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of-pocket expenses must follow these requirements. The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payments for the miscellaneous expenses. Some expenses (such as employee relocation) are processed by the Payroll Section.

## **RESULTS OF AUDIT**

Most of the miscellaneous expense payments we reviewed were properly approved, justified, supported, accurate, and in compliance with Metro policies, procedures, and guidelines. However, in our sample of 30 payments, we found issues with 10 (33 percent) payments. Metro needs to strengthen controls over schedule checkers local travel; employees need to better follow Metro policies concerning check requests and travel & business expense reports; and certain policies, procedures, and guidelines need to be updated to reflect current practices.

### **A. Schedule Checker Local Travel Payments**

Schedule checkers are union employees who ride Metro trains to collect transit data, such as the number of patrons boarding and exiting at each stop and the arrival/departure of trains at stops. Data Collections<sup>2</sup> is responsible for scheduling the assignments for the schedule checkers. The current agreement between Metro & the United Transportation Union (UTU) outlines pay rates, rules, and working conditions for employees represented by the union, including schedule checker travel.

Our audit sample included a \$954 batch<sup>3</sup> payment for schedule checker travel completed in a 2-week period, January 22, 2012 to February 4, 2012. We interviewed staff from Employee & Labor Relations, Payroll, Service Planning & Development, and Data Collection; reviewed the UTU agreement; and reviewed data gathered from the SCMS and the Financial Information System. We found five schedule checker travel issues.

1. **Automobile Allowance Paid When Personal Vehicle Not Used.** The current UTU Agreement allows schedule checkers to receive an automobile allowance per mile for traveling between Gateway and assignments. It also states that no automobile allowance is paid when an Authority vehicle is used. However, we found that schedule checkers were paid the automobile allowance for traveling to their assignments regardless of whether they used their personal vehicle or Metro transportation, and regardless of their actual starting location. According to a Schedule Checking Supervisor, schedule checkers take various transportation options to get to their assignments, such as personal

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<sup>2</sup> Service Planning & Development in the Operations Department oversees Data Collections.

<sup>3</sup> The batch payment included 20 schedule checkers.

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vehicles, Metro buses and trains, and being dropped off. We interviewed a schedule checker who confirmed that she travels to assignments by riding Metro trains as well as by driving her own car from home. As Metro employees, schedule checkers ride Metro trains and buses for free; therefore, they do not incur out-of-pocket costs when riding Metro transit.

According to Service Planning & Development officials, this practice of paying the schedule checkers for travel to assignments has been in place since the 1970s. Prior to our audit, Payroll staff, who approve the bi-weekly schedule checker travel payments in the payroll system, mistakenly believed the mileage reported in the SCMS were for actual miles incurred by the employees in their own personal vehicles. Payroll staff relied solely on the mileage input into the Schedule Checking Management System (SCMS) by Data Collection to calculate payments to the schedule checkers.

This noncompliance with the UTU agreement occurred because schedule checkers are not required to report how they travel to their assignments, and there are different interpretations of the language in the UTU agreement. See the next two sections for further discussion.

2. **Schedule Checkers Not Required to Report Actual Mileage.** Metro's *Travel and Business Expense (FIN 14) policy* "applies to all LACMTA and PTSC [Public Transportation Service Corporation] employees." The policy requires employees to submit a travel & business expense report to Accounting, to deduct mileage for normal commutes to work from the claimed mileage and to certify that the expenses claimed are legitimate. The UTU agreement does not state how the miles are supposed to be tracked or reported for schedule checkers. Schedule checkers were reporting how they traveled to their assignments, and were not keeping a log or report of their actual mileage. A Schedule Checker Supervisor explained that schedule checker travel is based on pre-calculated mileage to and from Gateway to the assignment's start location. (For example, if the assignment starts at Long Beach Transit Mall, the pre-calculated roundtrip mileage from Gateway is 43.4 miles.) When a schedule checker is given an assignment, the pre-calculated mileage is entered into the SCMS which interfaces with the payroll system. The automobile allowance is paid in the employee's normal bi-weekly pay. Because schedule checkers were not reporting their actual mileage, Metro may have paid schedule checkers the automobile allowances for using free Metro transportation to their assignments, which is not in accordance with the UTU Agreement or Metro policies.
3. **Different Opinions on Terms of the Agreement.** Article 24, Section 7 – "Use of Automobile" of the UTU agreement states:

*"Schedule Checkers will receive an automobile allowance of thirty-two (32) cents per mile for all travelling done from the Administrative Headquarters*

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*Building. Mileage will be figured to and from the Authority headquarters on all assignments. Mileage will be subject to change in accordance with policy established by the Board of Directors for other Authority employees. No automobile allowance will apply when travelling within the Central Business Authority of Los Angeles or when an Authority vehicle is used to transport Checkers from the administrative Headquarters Building to the checking point or points.”*

Employee & Labor Relations officials, who negotiated the agreement with the UTU, and Service Planning & Development officials, who enforce the agreement, had different interpretations of this section’s language:

- Automobile Allowance Eligibility: Employee & Labor Relations officials stated that this union agreement gives schedule checkers an automobile allowance only when they use their own personal vehicle to get to their assignments. However, Service Planning & Development officials concluded the agreement was not restrictive on how schedule checkers travel to their assignments since the section does not specifically state that a personal vehicle must be used.
  - Authority Vehicle Definition: The section says that an automobile allowance will not apply when an “Authority vehicle” is used. Employee Labor & Relations stated that this refers to any Metro vehicle including buses and trains. Service Planning & Development considered Authority vehicles to only refer to non-revenue vehicles assigned to a division.
  - Start Point: The agreement states that the automobile allowance will be paid per mile for all travel from the Administrative Headquarters (Gateway). According to Employee & Labor Relations, the allowance is to be determined based on actual mileage to and from Gateway and that if an employee traveled directly from home to their assignment, they should subtract the mileage of their normal commute to work. Service Planning & Development staff felt that their system of reporting pre-calculated mileage to and from Gateway regardless of where the employees were travelling from (such as from home) met the contract terms.
4. **Reporting Taxable Income to the Internal Revenue Service (IRS)**. The schedule checkers were paid based on the mileage reported in the SCMS. Accounting and Payroll officials were unaware that the mileage reported in the SCMS included incidents when schedule checkers used Metro transportation to travel to their assignments and did not incur any costs. The mileage rate is intended to reimburse employees for costs (for example, gas, insurance, maintenance, etc) associated with using their personal vehicles for business purposes and, therefore, is not considered taxable income. However, any automobile allowance paid to schedule checkers who rode Metro trains or buses for free

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could be considered taxable compensation. The IRS requires employers to file a W-2 and report taxable compensation for their employees. Because Payroll was not aware that the mileage reported in the SCMS was not exclusively for actual mileage incurred in a personal vehicle and was not given information on how schedule checkers travelled to their assignments, Payroll did not report the income on the schedule checkers' W-2 forms. The failure to report taxable earnings exposes Metro to IRS penalties.

For the past 10 years (November 1, 2002 to October 31, 2012), Metro paid a total automobile allowance of \$365,970 to schedule checkers. Because records were not kept on how schedule checkers travelled to their assignments, it is not possible to determine how much of the \$365,970 was taxable income.

5. **Current Mileage Rate Not Used.** The UTU Agreement states that schedule checkers should receive "an automobile allowance of 32 cents." The agreement also states that "mileage will be subject to change in accordance with policy established by the Board of Directors for other Authority employees" Under Metro policy FIN 14, Metro employees are reimbursed at the IRS mileage rate which is currently 55.5 cents per mile. However, Payroll paid the schedule checkers at a rate of 50 cents per mile. The IRS mileage rate increased from 50 cents to 51 cents on January 1, 2011 and to 55.5 cents in July 1, 2011. The Payroll Account Manager stated she was never informed of the IRS mileage increase. From January 1, 2012 to March 30, 2012 (3 months), Metro paid schedule checkers \$8,335 for a total of 16,670 miles. If all 16,670 miles reported were for actual personal vehicle use, then Metro underpaid the employees \$917. The Payroll Account Manager acknowledged the payroll system was erroneously coded to pay 50 cents per mile. However, since it is not possible to determine which reported miles were actually automobile-related, Payroll does not plan to reimburse the schedule checkers for the difference. The Director of Accounting stated that the mileage rate will be corrected in the payroll system and a procedure will be put into place to ensure the Payroll Section is informed when the IRS mileage rate increases in the future.

After we brought these schedule checker travel matters to Employee & Labor Relations' attention, they met with Operations, Service Planning & Development, and Accounting officials. They discussed the current union agreement terms and decided that they should be followed. In addition, schedule checkers will be required to follow the mileage reporting requirements in Metro policy FIN 14 and to fill out a daily log of their actual miles incurred in a personal vehicle. Service Planning & Development is currently developing the procedures that will be implemented. Schedule checkers should be encouraged to take public transportation to their assignments when possible.

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**B. Noncompliance with Metro Policy Requirements.**

Metro has established policies, procedures, and guidelines that govern payment of expenses. Out of the 30 payments we reviewed, 9 (30 percent) were not in compliance with current Metro policy, procedures, and guidelines. It is important that employees follow policies and procedures to ensure expenditures are correctly recorded and are allowable.

1. **Split Transaction.** Accounting's check request procedures and guidelines state that purchases over the \$2,500 limit are subject to the procurement process. It also states that the "requirements of goods and services may not be parceled, split, divided, or purchased over a period of time in order to avoid the \$2,500 limitation." We found that 2 of our sample of 30 were part of the same split transaction. The two sample items were both for software applications purchased on the same date, from the same vendor, for the same amount (\$1,281 each), and for the same cost center and project number. When added together, the two software applications totaled \$2,562, which is \$62 over the current \$2,500 check request limit. Splitting transactions unnecessarily increases workload. In this case, the vendor was asked to submit two separate invoices, the requestor's purchasing agent had to generate and submit two check requests to Accounting, the approving official had to approve two payments, and the Accounts Payable staff had to process the two check requests and two separate payments.

A Metro employee acknowledged splitting the purchase in order to stay under the spending limit to avoid the procurement process and stated that he did this because he needed to get the procurement done quickly. We informed the employee that splitting transactions is prohibited, and the circumvention of Metro policy is improper. We also advised him that check request procedures and guidelines contain a provision for waiving the check request limit in certain circumstances if the check request is accompanied by a memo of justification, approved by the appropriate Executive Officer, and sent to the Executive Officer of Procurement. The employee was not aware that a waiver could be obtained and plans to seek obtaining one for future purchases of the software applications.

2. **Documenting Justification for Expenses.** According to the check request procedures and guidelines, all check requests must include a "business justification for the disbursement." Also Accounting's *Electronic Check Request Users Manual* states that check requests that lack the proper documentation will not be processed. We found two expenses where the justification for the disbursement was not documented. One of the disbursements was \$1,895 for training, and a second was \$365 for catering. We contacted the requesting departments and verified that the purchases were necessary and beneficial to Metro. Accounts Payable staff told us that ensuring justifications are included with check requests is not part of their procedures because it is the responsibility

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of the supervisor of the requesting department to determine if the purchase is necessary. We believe that Accounts Payable staff should follow policy and verify that all appropriate documentation is provided before issuing payment even though the requesting departments' supervisors should ensure they are approving only necessary expenses. When we brought this matter to the attention of the Accounts Payable Manager, he agreed. Because of our finding, he plans to instruct his staff to verify that all check requests are accompanied with adequate justification and to request any missing documentation from the requestors.

3. **Travel & Business Expense Report.** Employees request reimbursement for travel expenses by submitting a travel & business expense report with their receipts. Metro policy requires Accounts Payable staff and the Metro Travel Coordinator to review completed travel & business expense reports and ensure payments are accurate. We reviewed nine travel & business expense reports and found an erroneous payment for one of them. Accounts Payable did not reimburse an employee \$77 for a taxi and a shuttle fare supported with receipts. This occurred because of a miscalculation on the travel & business expense report. After we brought this matter to the attention of the Accounts Payable staff, they promptly reimbursed \$77 to the employee.
4. **Sponsorship Not Listed in Check Request Guidelines.** We reviewed three expenses involving events Metro sponsored: (1) a \$10,000 payment to sponsor the Transit-Oriented Development Summit, (2) a \$4,417 payment for catering services for an event hosted by Metro's Diversity and Economic Opportunity Department, and (3) a \$365 payment for catering services for the Government Relations Quarterly Legislative Briefing also hosted by Metro. All three of these expenses were paid for via check requests. Check request procedures and guidelines list acceptable uses of check requests including those that are not subject to the \$2,500 limit. Sponsorship is not listed as one of the acceptable uses. Although it was not listed, Accounts Payable staff considered the requirements to be applicable to these three expenses. Since sponsorship is a recurring type of expense, the Director of Accounting agreed it should be added to the check request procedures and guidelines and plans to make the revision. In addition, Accounting staff should consult with the Ethics Department if questions arise regarding the propriety of a sponsorship-related expense.
5. **Compliance with Relocation Policy.** We reviewed a \$15,000 lump sum payment to an employee for relocation expenses. The employee was not required to submit any receipts to show actual expenses. The employee relocation assistance policy requires Metro to reimburse or pay directly for actual relocation expenses. It does not discuss lump sum payments. A Human Resource Manager stated that for the past several years they have been paying lump sum relocation expenses instead of reimbursing for individual expenses. She explained that giving a lump sum provides Metro more flexibility and saves time and money. When employees were reimbursed for relocations in the past,

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Human Resources staff had to solicit bids from moving companies, pay for temporary housing, and pay house hunting costs incurred (such as airline tickets, lodging, car rental, etc). She said those expenses could end up costing Metro up to \$25,000. Their current practice is to pay a lump sum of \$10,000 for close moves (for example, San Francisco), \$15,000 for long distance moves, and \$20,000 for moves involving high level positions. She agreed the policy should be updated to reflect their actual practices. The Human Resources employee in charge of overseeing agency-wide policy plans to update the policy.

### **C. Outdated Metro Policies**

During our review, it came to our attention that two policies needed to be updated to reflect current procurement requirements.

1. **Check Request Limit.** According to check request procedures and guidelines, there are certain expenses that can be purchased using a check request without being competitively bid as long as the price doesn't exceed \$2,500 (micro-purchase limit).<sup>4</sup> The procedures and guidelines also state that any expenses over \$2,500 must go through the procurement process. Effective January 1, 2010, the Procurement Department increased the \$2,500 micro-purchase limit to \$3,000. However, the Accounting Department was not aware of this change. As a result, Accounting's check request procedures and guidelines still state \$2,500 as the limit. This could lead to Metro personnel unnecessarily requesting the Procurement Department to make purchases ranging from \$2,500 to \$3,000. The Director of Accounting agreed that the check request limit should be consistent with Procurement policy and plans to have the check request procedures and guidelines updated. The Executive Officer for Procurement and Material Management plans to ensure that Accounting is made aware of any future significant acquisition changes.
  
2. **Acquisition Manual.** As discussed above, Procurement increased the micro-purchase limit from \$2,500 to \$3,000 effective January 1, 2010. During our audit, we found that although the *Acquisition Policy Statement ACQ-1* correctly shows the \$3,000 micro-purchase limit, the *Acquisition Policy and Procedures Manual ACQ-2* (dated July 16, 2010) had not been updated. It still shows the micro-purchase level as \$2,500. According to the Acquisitions Policy Officer, only part of the manual had been revised in July 2010. The chapter covering micro-purchase limits had not been updated. To avoid confusion, Procurement should update its procedures manual to reflect the accurate micro-purchase limit. The Executive Officer for Procurement & Material Management agreed and plans to have the policy updated.

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<sup>4</sup> The check request procedures and guidelines list exceptions to the dollar limit, such as for training.

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## **CONCLUSION**

We found most miscellaneous expense payments were adequately supported and in compliance with Metro policies. However, there was room for improvement. Out of the 30 payments we audited, we found issues with 10 (33 percent) payments. Metro needs to strengthen controls over schedule checkers local travel; employees need to better follow Metro policies concerning check requests and travel & business expense reports; and Human Resources, Procurement, and Accounting need to update policies, procedures, and guidelines to reflect current practices.

On January 11, 2013, we provided Metro management with a draft report. On January 17, 2013, the Executive Director Employee & Labor Relations sent a letter to the General Chairman of the UTU, which stated: “Effective immediately, Schedule Checkers will be required to maintain a log and will be reimbursed for mileage as required of all Metro employees under the policy. They will receive mileage reimbursement only when they use a non-LACMTA vehicle for travel, and only for travel that exceeds the round trip commute miles between their home and the headquarters building. The Operations Planning and Scheduling Department has developed procedures that are compliant with the policy for Schedule Checkers’ use.”

## **RECOMMENDATIONS**

We recommend that:

1. The Executive Director of Employee & Labor Relations, in coordination with the Operations department should:
  - a. Enforce the provisions in the UTU agreement pertaining to automobile allowance for schedule checkers.
  - b. Implement plans to require schedule checkers report the actual mileage incurred in their personal vehicles and follow Metro’s mileage reimbursement rules in Metro policy FIN 14.
  - c. Review Service Planning & Development’s drafted procedures over schedule checker travel and verify the procedures are adequate and meet the intent of the UTU agreement.
  - d. Remove the archaic “32 cents per mile” rate from future UTU agreements and clarify that the current IRS mileage rate will be paid to schedule checkers. Also, if needed, clarify that “Authority vehicle” as used in the UTU agreement includes Metro rail and bus vehicles.

2. The Director of Accounting should:
  - a. Correct the mileage rate in the payroll system.
  - b. Re-enforce to Metro staff that splitting transactions to circumvent the check request limit is prohibited.
  - c. Instruct the Accounts Payable staff to ensure that check requests include adequate justification before processing payment.
  - d. Re-enforce to Accounts Payable staff and the Travel Coordinator to ensure calculations are correct on travel & business expense reports.
  - e. Update the check request procedure and guidelines to include sponsorship as an allowable purchase that is not subject to the check request limit; and consult with the Ethics Department on the propriety of sponsorship-related expenses, as needed.
  - f. Increase the check request limit from \$2,500 to \$3,000 in the check request procedures and guidelines to be consistent with the current procurement policy.
  
3. The Deputy Executive Officer for Human Resources should update the employee relocation assistance policy to reflect current reimbursement practices and procedures.
  
4. The Executive Officer for Procurement & Material Management should:
  - a. Inform Accounting of any relevant changes in acquisition requirements that affect Accounting's check request procedures and guidelines.
  - b. Change the outdated \$2,500 micro-purchase limit in the Acquisition Policy Procedures Manual ACQ-2 to the current \$3,000 limit.

## **METRO MANAGEMENT COMMENTS**

Metro management agreed with the recommendations in this report and has initiated the following corrective actions (see Attachment B for details of actions implemented).

- The Employee & Labor Relations Department has informed the union that Schedule Checkers will be required to maintain a log and will be reimbursed for mileage as required of all Metro employees under the Metro Policy FIN 14.
  
- The Accounting Department has initiated actions to (a) update the mileage rate in the payroll system; (b) ensure that policy prohibiting splitting transactions is followed, (c) ensure check requests include adequate justification, (d) ensure calculations are correct on travel and business expense reports, (e) include in the check request

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guidelines that sponsorship as an allowable expense, and (f) increase the check request limit to be consistent with procurement policy on this matter.

- The Human Resources Department is in the process of updating Metro policy to reflect the “lump sum” relocation reimbursement option.
- The Procurement Department has forwarded prior guidance on the micro-purchase threshold to the Accounting Department, and will update Acquisition Policy Procedures Manual ACQ-2 to reflect this guidance in the next block update to the policy.

## **EVALUATION OF METRO MANAGEMENT COMMENTS**

Metro management’s proposed corrective actions are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations in the report resolved based on the corrective action plan. Although the recommendations are resolved, staff must follow up on the recommendations that are still open until all corrective actions are completed.

**Summary of Expenses Audited  
For the Period from January 1 to March 31, 2012**

<b>Account Number</b>	<b>Account Description</b>	<b>Total Amount</b>	<b>Sample Amount</b>
50213	Training Program	\$ 55,710	\$ 1,895
50903	Business Meals	32,262	4,782
50908	Employee Relocation	22,500	15,000
50910	Expense Report Mileage/Parking	\$1,271	0
50914	Schedule Checkers	8,335	954
50915	Seminar and Conference Fees	64,968	4,699
50917	Business Travel	117,716	10,438
50930	Employee Activities and Recreation	19,046	0
50999	Other Miscellaneous Expenses	<u>281,734</u>	<u>9,064</u>
	<b>Totals</b>	<b><u>\$ 603,542</u></b>	<b><u>\$ 46,832</u></b>

## **Management Comments to Draft Report**

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Metro Management provided the following comments to the recommendations in our draft report:

**Recommendation 1.** The Executive Director of Employee & Labor Relations, in coordination with the Operations department should:

- a. Enforce the provisions in the UTU agreement pertaining to automobile allowance for schedule checkers.
- b. Implement plans to require schedule checkers report the actual mileage incurred in their personal vehicles and follow Metro’s mileage reimbursement rules in Metro policy FIN 14.
- c. Review Service Planning & Development’s drafted procedures over schedule checker travel and verify the procedures are adequate and meet the intent of the UTU agreement.
- d. Remove the archaic “32 cents per mile” rate from future UTU agreements and clarify that the current IRS mileage rate will be paid to schedule checkers. Also, if needed, clarify that “Authority vehicle” as used in the UTU agreement includes Metro rail and bus vehicles.

**Management Response to Recommendation 1.** Executive Director of Employee & Labor Relations agreed with the recommendation and provided the following comments:

- **Recommendations 1a, 1b, and 1c.** “The contract includes a provision for mileage reimbursement provisions in the contract to be superseded by LACMTA policy. The union has been informed of this change on January 17, 2013.” The letter to the union states:

“Effectively immediately, Schedule Checkers will be required to maintain a log and will be reimbursed for mileage as required of all Metro employees under the policy [FIN 14]. They will receive mileage reimbursement only when they use a non-LACMTA vehicle for travel, and only for travel that exceeds the round trip commute miles between their home and the headquarters building. The Operations and Scheduling Department has developed procedures that are compliant with the policy for Schedule Checkers’ use.”

- **Recommendation 1d.** “Management will:
  - 1) Propose, subject to agreement by union, eliminating the obsolete mileage reimbursement provisions in the UTU contract when the successor contract is negotiated in 2014, and
  - 2) Clarify that “Authority vehicle” includes revenue and non-revenue vehicles.”

## **Management Comments to Draft Report**

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**Recommendation 2.** The Director of Accounting should:

- a. Correct the mileage rate in the payroll system.
- b. Re-enforce to Metro staff that splitting transactions to circumvent the check request limit is prohibited.
- c. Instruct the Accounts Payable staff to ensure that check requests include adequate justification before processing payment.
- d. Re-enforce to Accounts Payable staff and the Travel Coordinator to ensure calculations are correct on travel & business expense reports.
- e. Update the check request procedure and guidelines to include sponsorship as an allowable purchase that is not subject to the check request limit; and consult with the Ethics Department on the propriety of sponsorship-related expenses, as needed.
- f. Increase the check request limit from \$2,500 to \$3,000 in the check request procedures and guidelines to be consistent with the current procurement policy.

**Management Response to Recommendation 2.** The Controller agreed with the recommendation and provided the following comments:

- **Recommendation 2a.** “As of January 2013, the Accounting Department has corrected the mileage rate in the payroll system. The Director of Accounting will ensure that the Payroll section continues to update the table in accordance to the mileage rate published by the IRS.”
- **Recommendation 2b.** “The Director of Accounting will reinforce to Metro staff that splitting of transactions to circumvent the check request limit is prohibited by updating the check request procedures with emphasis on this restriction. Any violation noted will be sent back to the requestor for compliance with the procedures, including the exception procedures, where appropriate.”
- **Recommendation 2c.** “The Director of Accounting will instruct the Accounts Payable staff to ensure that all check request include documentation for any required justification from the requestors. The Director of Accounting will ensure that the Accounts Payable staff continues to do so via daily and regular training sessions.”
- **Recommendation 2d.** “The Director of Accounting will reinforce to the Accounts Payable staff and the Travel Coordinator to ensure that the calculations are correct on travel & business expense reports. The Director of Accounting will ensure that the Accounts Payable staff continues to do so via daily and regular training sessions.”
- **Recommendation 2e.** The Director of Accounting will ensure that, by March 31, 2013, the check request procedures and guidelines are updated to include sponsorship as an allowable purchase that is not subject to the check request limit. Also, should a

## **Management Comments to Draft Report**

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question come to the Accounts Payables section's attention concerning the propriety of a sponsorship related expense, the Director of Accounting will ensure that the Accounts Payable staff consults with, or refers the matter to, the Ethics Department.”

- Recommendation f. “The Director of Accounting will ensure that, by March 31, 2013, the check limit from \$2,500 to \$3,000 is updated in the check request procedures and guidelines to be consistent with the current procurement policy.”

**Recommendation 3.** The Deputy Executive Officer for Human Resources should update the employee relocation assistance policy to reflect current reimbursement practices and procedures.

**Management Response to Recommendation 3.** The Deputy Executive Officer for Human Resources agreed with the recommendation and stated: “Human Services/Human Resources are in the process of updating the Employee Relocation Assistance Policy (HR42) to reflect the ‘lump sum’ option.”

**Recommendation 4.** The Executive Officer for Procurement & Material Management should:

- a. Inform Accounting of any relevant changes in acquisition requirements that affect Accounting’s check request procedures and guidelines.
- b. Change the outdated \$2,500 micro-purchase limit in the Acquisition Policy Procedures Manual ACQ-2 to the current \$3,000 limit.

**Management Response to Recommendation 4.** Executive Officer for Procurement & Material Management agreed with the recommendation and provided the following comments:

- Recommendation 4a. “A memo [EX-07-01] was distributed on January 2, 2007, informing executive staff of the increase in micro-purchase authority to \$3,000 for non-FTA funded actions. A memo [EX-09-02] was subsequently distributed on December 14, 2009 increasing the micro purchase threshold for all MTA actions. These memos were forwarded by email to the Controller and Director of Accounting for their action on December 12, 2012.”
- Recommendation 4b. “The two executive memos updated language in ACQ-2 as of their effective dates. Test of ACQ-2 will be updated in a block update incorporating all changes since 2005.”

## Final Report Distribution

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