



Metro

**Los Angeles County
Metropolitan Transportation Authority**

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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