

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

**Statutorily Mandated Audit of
Miscellaneous Expenses
October 1, 2024 to December 31, 2024**

Report No. 26-AUD-02

December 15, 2025



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DATE: December 15, 2025

TO: Metro Board of Directors
Metro Chief Executive Officer

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

E-SIGNED by Yvonne Zheng
on 2025-12-15 10:16:16 PST

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
October 1, 2024 to December 31, 2024 (Report No. 26-AUD-02)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2024, to December 31, 2024. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. However, we did note one issue related to non-compliance with Metro's Business Travel Guidelines (GEN 65).

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Workforce Services, Transit Security, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

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This audit covered a review of Metro's miscellaneous expenses for the period of October 1, 2024, to December 31, 2024. For this period, miscellaneous expenses totaled \$3,169,913¹ with 671 transactions. We selected 55 expense transactions totaling \$1,149,366 for detail testing. Thirty (30) of the expense transactions were randomly selected, eight (8) were selected due to their large dollar amounts, and seventeen (17) were selected to add more samples for account number 50999 (Miscellaneous Expenses - Others) and a few other accounts. See Attachment A for details.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own respective policies, procedures, or guidelines.

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

RESULTS OF AUDIT

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

Non-Compliance with Metro Business Travel Guidelines (GEN 65)

Metro's Business Travel Guidelines (GEN 65) Section 2.7 states: "For foreign travel, hotel lodging and meals will be reimbursed based on the maximums published by the U.S. Department of State Standardized Regulations - Maximum Travel Per Diem Allowances for Foreign Areas." The guidelines further state that exceptions to these maximum allowances may be approved by the

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

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Executive Officer in extraordinary circumstances for special training, legislative activities or to ensure the successful conduct of business.

During the period under review, a Metro employee from the Operations Department traveled to Berlin, Germany. Our review of this expense, found that lodging rates for several nights exceeded the rate maximum for lodging published by the U. S. State Department. During the period of travel, the lodging Per Diem for Berlin, Germany was \$247 per night. There were at least three nights where the lodging exceeded \$500 per night. Our review of the supporting documentation, found no justification memo approving the higher amount.

The Workforce Services and Operations Departments should ensure that all Metro Business Travel Guidelines (GEN 65) have been adhered to before approving TBE Reports.

OBSERVATION

During our review of miscellaneous expenses for the period of October to December 2024, we identified 19 employees/board members that traveled internationally at a cost of \$118,773. Thirteen of the 19, traveled to Paris, France to prepare for the 2028 Olympics. Five employees attended the InnoTrans Conference in Berlin, Germany, to discuss and obtain ideas on how to improve bus operations, and one employee traveled to Seoul, South Korea to participate in the teardown and inspection of pilot vehicles for rail operations. Our audit scope did not include a detailed review of each expense transaction to determine whether it was in compliance with Metro's Business Travel Guideline (GEN 65). However, due to the number of international travelers and the significant amount of funds that were expensed, we believe that Metro should continuously monitor its international travel expenses to ensure it is being fiscally responsible with public funds.

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for prior quarters and fiscal years. Note: All amounts were based on the audit population.

1. Reviewed Quarter (FY25 Q2) versus Prior Quarter (FY25 Q1) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter totaled \$3,169,913, a 3% increase in expenses compared to the first quarter in FY 2025. This increase was mainly due to increases in Account 50903 – Business Meals and Account 50917 – Business Travel. Business Meals and Business Travel increased 120% and 186% respectively from the prior period. See Table 1 below.

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Table 1: Reviewed Quarter versus Prior Quarter

Account	Oct - Dec 2024	July -Sept 2024	Increase (Decrease)
Advertising	\$ 1,361,798	\$ 1,634,510	\$ (272,712)
Business Meals	356,515	161,931	194,584
Business Travel	397,785	139,264	258,521
Corporate Membership	328,695	398,633	(69,938)
Employee Relocation	0	0	0
Employee Activities and Recreation	0	0	0
Professional Membership	10,724	18,501	(7,777)
Seminar and Conference Fee	101,712	53,777	47,935
Miscellaneous (50999) *	608,789	664,050	(55,261)
Others (Mileage and Parking, etc.)	3,895	10,915	(7,020)
Total	\$ 3,169,913	\$ 3,081,581	\$ 88,332
Increase			3%

* Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditures for fines and penalties incurred by Metro, books, and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

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**2. Reviewed Quarter (FY25 Q2) versus Same Quarter of Prior Year (FY24 Q2)
Miscellaneous Expenses**

Miscellaneous expenses for the reviewed quarter increased by \$437,987 or 16% as compared to the same quarter of FY24. This was mainly due to an increase in Account 50903 – Business Meals, Account 50905 – Corporate Membership and Account 50917 – Business Travel. These three accounts, increased 84%, 80%, and 91% respectively from the second quarter in the prior fiscal year. See Table 2 below.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Oct - Dec 2024	Oct -Dec 2023	Increase (Decrease)
Advertising	\$ 1,361,798	\$ 1,400,244	\$ (38,446)
Business Meals	356,515	194,210	162,305
Business Travel	397,785	208,508	189,277
Corporate Membership	328,695	182,780	145,915
Employee Relocation	0	71,020	(71,020)
Employee Activities and Recreation	0	0	0
Professional Membership	10,724	11,343	(619)
Seminar and Conference Fee	101,712	111,589	(9,877)
Miscellaneous (50999) *	608,789	510,364	98,425
Others (Mileage and Parking, etc.)	3,895	41,868	(37,973)
Total	\$ 3,169,913	\$ 2,731,926	\$ 437,987
Increase Over Same Quarter of Prior Year			16%

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3. January 2024 to December 2024 versus January 2023 to December 2023

Miscellaneous expenses for the period January 2024 to December 2024 totaled \$12,400,217, a 20% increase from the period January 2023 to December 2023, where expenses totaled \$9,957,752. In each period, April to June, which is the last quarter of Metro's fiscal year, incurred the most expenses. In the fourth quarters of Fiscal Years 2024 and 2023, miscellaneous expenses totaled approximately \$4.2 million and \$3.1 million respectively. See Figure 1 below.

Figure 1: Miscellaneous Expenses per Quarter
January 2024 to December 2024 versus January 2023 to December 2023



Statutorily Mandated Audit of Miscellaneous Expenses

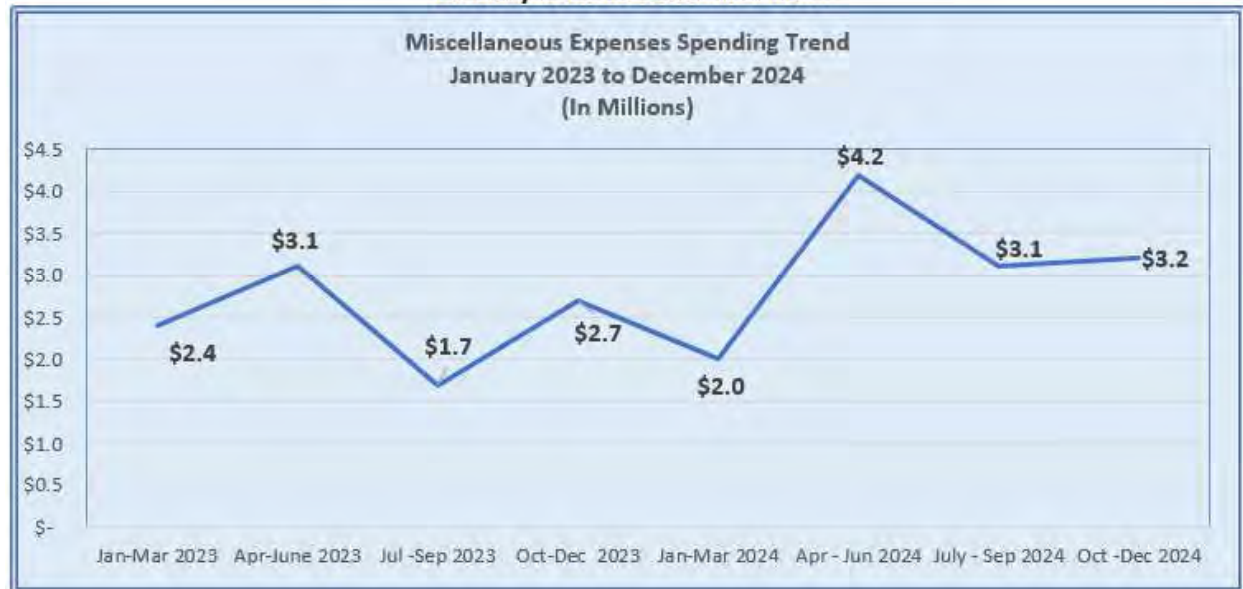
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Figure 2 shows the spending trend for miscellaneous expenses for the last two years.

Figure 2: Miscellaneous Expense Spending Trend
January 2023 to December 2024



As noted earlier, miscellaneous expenses were highest during the last quarter of each fiscal year. Part of this increase can be attributed to the accrual of expenses in June of each fiscal year that are charged to the respective years' budget. It is a common practice to exhaust budgeted funds in the 4th quarter of a fiscal year to avoid trailing expenses to the following fiscal period.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of October 1, 2024, to December 31, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found one exception related to Metro Business Travel Guidelines (GEN 65).

RECOMMENDATIONS

We recommend the following:

Workforce Services

1. The Travel Administrator should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.
2. The Travel Administrator should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and are approved by the unit chief.

Operations

3. Approving Officials should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.
4. Approving officials should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and approved by the unit chief.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On November 19, 2025, we provided Metro Management our draft report. By December 5, 2025, Metro Management submitted their responses summarizing the corrective actions that they will be taking. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management corrective actions are responsive to the recommendations in this report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

Summary of Sampled Expenses Audited

Account	Account Description	Audit Population	Sample Amount
50213	Training Program <a>	\$ 0	\$ 0
50903	Business Meals	356,515	33,717
50905	Corporate Membership	328,695	239,000
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	3,895	0
50912	Professional Membership	10,724	1,665
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	101,712	18,186
50917	Business Travel	397,785	22,860
50918	Advertising	1,361,798	611,806
50930	Employee Activities & Recreation <a>	0	0
50999	Other Miscellaneous Expenses	<u>608,789</u>	<u>222,132</u>
Total		<u>\$3,169,913</u>	 <u>\$1,149,366</u>

<a> No expenses incurred for this quarter.

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

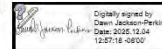
Management Comments to Draft Report

Workforce Services


Metro

Interoffice Memo

Date	October 30, 2025
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Dawn Jackson-Perkins Chief People Officer
Subject	Response to Audit Recommendation in Report No 26-AUD-02



Thank you for the opportunity to respond to the findings and recommendations in the draft report (Audit Report No. 26-AUD-02, Statutorily Mandated Audit of Miscellaneous Expenses, October 1, 2024, to December 31, 2024). Please see our responses below to the recommendations pertaining to the Chief People Office.

Recommendations

1. Travel Administrator should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.

Response: Staff concur with the recommendation and will work to ensure that all expenses are charged in accordance with policy before finalizing expense report.

Completion Date: October 30, 2025

2. Administrator should ensure that TBE is accompanied with a justification memo approving the higher limits before approving TBE, if expenses charged exceed the maximum travel per diem allowances.

Response: Staff concur with the recommendation and will work to ensure that if approval request is not included with original submittal travel request that approval be obtained prior to travel. For international travel, final average is dependent on the actual exchange rate when transaction posted. If there is a change, appropriate approvals will be requested prior to final approval.

Completion Date: October 30, 2025

Management Comments to Draft Report

Operations


Metro

Interoffice Memo

Date	December 4, 2025
To	Karen Gorman Inspector General
From	Conan Cheung Chief Operations Officer 
Subject	26-AUD-02 Metro Misc. Expenses (October 2024 – December 2024)

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from October 2024 – December 2024. Although OIG found that the sampled transactions generally complied with Metro policies, two issues were identified. Therefore, the actions below will be taken by Operations Bus Maintenance to comply with the recommendation from the audit:

Recommendation #3: Approving officials should ensure that expenses charged are in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense (TBE) Report.

Management Response: Management will continue to ensure that expenses are charged in accordance with Metro's Business Travel Guidelines (GEN 65) before approving the Travel Business Expense Report (TBE). This travel was for an international transit vehicle technology trade show, which draws a large attendance, thus resulting in higher-than-normal hotel pricing throughout the city.

Completion Date: Ongoing

Recommendation #4: Approving officials should ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and approved by the unit chief.

Management Response: Management will ensure that TBE reports with expense items that exceed the maximum travel per diem allowances are accompanied by a justification memo and are approved by the unit chief moving forward.

Completion Date: January 1, 2026

CC: Conan Cheung
Diane Corral-Lopez
Edna Stanley
Diane Frazier

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