Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Audit of Metro Transit Security Services Performance Fiscal Years 2023 and 2024

Supplemental Report for Fiscal Year 2024 Billings

Report No. 25-AUD-06 **February 24, 2026**

Metro

Los Angeles County
Metropolitan Transportation Authority

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DATE: February 24, 2026

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 2026-02-24 12:59:42 PST

SUBJECT: Fiscal Year 2024 Billings Report Supplement to
Metro Transit Security Performance Audit for Fiscal Years 2023 and 2024
(Report No. 25-AUD-06)

The Office of the Inspector General (OIG) engaged BCA Watson Rice LLP to conduct an audit of Metro's three law enforcement contracts with the Los Angeles County Sheriff's Department (LASD), Los Angeles Police Department (LAPD), and Long Beach Police Department (LBPD) for Fiscal Year 2024 (July 1, 2023 – June 30, 2024). Our original report, issued June 3, 2025, reviewed billings for FY23. Our supplemental report includes a review of billings for FY24.

The purpose of the audit was to evaluate contract compliance, billing accuracy, and the use of budgeted funds. Our review identified **13 findings** and **10 recommendations.** Our testing of invoices from each agency identified several areas of non-compliance with contract requirements and billing errors

Details of these findings and recommendations, including responses from Metro and the three Law Enforcement Agencies, are presented in the detailed audit results section and as an appendix at the end of this report.

We appreciate the cooperation and assistance provided by Metro staff throughout this engagement. If you have any questions, please contact Karen Gorman, Inspector General, at GormanK@metro.net or me at ZhengY@metro.net. Thank you!

Enclosure: Supplemental Report – FY2024 Law Enforcement Contract Billings

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Transit Security Services Performance Review
Supplemental Billings Review
Fiscal Year 2024

February 2026

FINAL REPORT

Submitted by:

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A. Executive Summary

Introduction and Objectives

The Los Angeles County Metropolitan Transportation Authority (Metro) is the region's principal agency for multi-modal transit operations. In 2017, Metro awarded three separate contracts ("Agreements") to the Los Angeles Police Department (LAPD), the Los Angeles County Sheriff's Department (LASD), and the Long Beach Police Department (LBPD) ("Contractors") for transit law enforcement services to support day-to-day operations across Metro's entire service area. The objective of this audit is to verify contract performance and compliance for transit security function services for all three law enforcement agencies during FY 2024 (July 1, 2023, to June 30, 2024). The specific review areas covered by this audit include Billing, Payments, and Use of Budgeted Funds for each Law Enforcement Contract.

Metro's Office of the Inspector General ("OIG") conducts an annual audit of the Agreements to review compliance with the terms of the contract and to ensure adequate oversight of the Agreements by Metro's Safety, Security, and Law Enforcement (SSLE) Department. While there have been improvements in compliance and oversight over time, this report notes several continuing issues of concern relating to Contractor billings.

Below is a summary of the more significant audit issues and recommendations for each law enforcement agency. A more detailed discussion is included in the body of this report beginning on page 6. Additionally, law enforcement agency responses to the findings and recommendations are included in the body of this report. SSLE management responses to the findings and recommendations are included as an attachment to this report.

Based on our testing of 3 monthly invoices each for LASD, LAPD, and LBPD, we found instances of billings non-compliance with the respective law enforcement contract agreements, resulting in a credit due to Metro of $1,897,301.28 from LASD, $1,606,730.22 from LAPD, and $230,273 from LBPD.

LASD Contract Budget and Billings Compliance

On June 23, 2023, Metro approved the Service Level Authorization SH-AD 575 for FY 2024 for an estimated total annual cost of $78,975,282. For FY 2024, the total amount billed and paid to LASD was $78,867,939. Thus, the total amount billed and paid for FY 2024 did not exceed the contract authorization amount.

Based on our sample testing of three-monthly invoices for FY 2024, we found that the daily target minutes that LASD used in the calculation of the credit amount due to Metro were erroneous, resulting in an understatement of the credit amount due to Metro totaling

$1,887,430.62 for the three invoices tested. In addition, we found a mathematical error of $9,870.66 on the February 2024 invoice. A reconciliation of amounts billed and paid for the other nine (9) months for FY2024 may result in other amounts due to Metro.

Recommendation: Metro should apply a credit amount of $1,897,301.28 for the January 2024, February 2024, and March 2024 invoice tested. Metro should review the remaining FY 2024 invoices not tested and calculate the additional credit amount owed by LASD to Metro.

LAPD Contract Budget and Billings Compliance

For FY 2024, the contract amount approved under Modification No. 8 was $104,919,116. The total amount billed and paid to LAPD was $98,002,288. Thus, the total amount billed and paid for FY 2024 did not exceed the contract authorization amount.

Based on our sample testing of three-monthly invoices for FY 2024, we found LAPD was not in compliance with the contract requirement regarding the calculations of amounts owed using the current CAP rates. CAP 41 indirect cost rates used by LAPD to bill Metro were not current, resulting in an overbilling of $1,601,995.78. In addition, one of LAPD's labor classifications totaling $4,734.44 on two sample invoices was not found on Metro's approved List of Maximum Fully Burdened Hourly Rates.

Recommendation: LAPD depends on the Los Angeles City Finance Office to supply them with the correct CAP rates. If that Finance Office has not provided LAPD with current rates, then it should do so. Notwithstanding that, Metro should apply a credit for the overbilling amounts detailed above for $1,606,730.22. Metro should review the remaining FY 2024 invoices not tested and calculate the additional amount owed by LAPD to Metro.

LBPD Contract Budget and Billings Compliance

For FY 2024, the contract amount approved under Modification No. 9 was $10,157,293. The total amount billed and paid to LBPD was $8,423,222. Thus, the total amount billed and paid for FY 2024 did not exceed the contract authorization amount.

Based on our sample testing of three-monthly invoices for FY 2024, we found LBPD Paid Time Off (PTO) accrual hours billed to Metro totaling $186,899 was unallowable under Contract Modification No. 2. Also, PTO accrual hours were found to be billed twice. Additionally, we found mathematical errors of $8,051.13 on the adjustments made by Metro for the three sample invoices. Lastly, some Other Direct Costs (ODC) totaling $35,322.69 billed were not adequately supported nor allowed by the contract.

Recommendation: Metro should apply a credit of $230,272.82 for the overbilling amounts detailed above. Metro should review the remaining FY 2024 invoices not tested and calculate the additional amount owed by LBPD to Metro.

B. Background

Metro is the region's principal agency for multi-modal transit operations. Metro operates transit service from eleven (11) geographically distinct bus divisions, four light rail lines, and two subway lines. In addition, critical rail infrastructure includes Union Station, 7th Street/Metro Center, and Willowbrook/Rosa Parks Station. Critical bus infrastructure includes the Harbor/Gateway Station and El Monte Transit Center.

In 2017, Metro awarded three separate 5-year firm fixed unit rate contracts to the LAPD, the LASD, and the LBPD ("Contractors") for transit law enforcement services to support day-to-day operations across Metro's entire service area.

In addition to contract transit law enforcement services, Metro's SSLE Department employs Contract Security, Metro Transit Security Officers (MTS), Metro Ambassadors, and Homeless Outreach staff who all assist in providing safety and security for the Metro system.

C. Objectives, Scope and Methodology

The overall objective of this audit is to evaluate transit security billings for the period of FY 2024 for three months of services performance provided by each of the three law enforcement contractors (LAPD, LASD, and LBPD), and Metro's System Security and Law Enforcement (SSLE) Department. The specific review areas covered by this audit include Billings, Payments, and Use of Budgeted Funds for each Law Enforcement Contract. Other aspects of services provided by the law enforcement agencies in FY 2024 were included in the primary report issued on June 3, 2025, 25-AUD-06, Board Report number 2025-0421. We reviewed the budget and billings for each of the law enforcement agencies to identify the nature and scope of budget variances. To accomplish this objective, we completed the following procedures:

- Obtained, reviewed, and evaluated the Fiscal Year 2024 (FY 2024) budgets, billings, and payments for each law enforcement agency, including (1) summarized budget-to-actuals for each agency and (2) identified any budget variances.
- Verified by sample testing of monthly invoices that each of the three law enforcement agency billings complied with their respective contract sections regarding billings for services.

D. Detailed Review Results

The following sections provide information on the detailed results of the performance audit of Metro's transit security function concerning billings in FY 2024.

Los Angeles County Sheriff's Department (LASD)

On September 1, 2017, Metro entered a five-year contract with LASD for a not-to-exceed amount of $246,270,631 with a start date of September 1, 2017, and end date of June 30, 2022. This contract was subsequently modified by eight (8) modifications amending the Statement of Work, Contract Price, and Period of Performance. For FY 2024, Modification No. 8 was executed, extending the performance period to June 30, 2024, and increasing the not-to-exceed total contract price to $439,413,869. The table below summarizes the amount approved up to June 30, 2024.

Description	Period of Performance	Contract Price Increase	Not-To-Exceed Contract Price
Base Contract	9/1/2017 - 6/30/2022		$ 246,270,631
Modification No. 2		$ 11,325,520	
Modification No. 3		32,842,679	
Modification No. 6	7/1/2022 - 12/31/2022	34,239,050	
Modification No. 7	1/1/2023 - 6/30/2023	35,760,707	
Modification No. 8	7/1/2023 - 6/30/2024	78,975,282	
TOTAL		**$ 193,143,238**	**$ 439,413,869**

Finding 1: Total amount billed and paid to LASD for FY 2024 did not exceed Metro's estimated annual cost of $78,975,282 approved on Form SH-AD 575.

According to Article IV.A of the contract agreement, Metro will pay LASD up to but not greater than the monthly pro-rata amounts of the annual Firm Fixed Unit Rate based on agreed-upon service levels set forth in the Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel Form for each fiscal year. On June 23, 2023, Metro approved the Service Level Authorization SH-AD 575 for FY 2024 for an estimated total annual cost of $78,975,282. For FY 2024, the total amount billed and paid to LASD was $78,867,939. Thus, the total amount billed and paid for FY 2024 did not exceed the estimated cost of $78,975,282 as detailed in the schedule below.

Description	FY 2024
Estimated Total Annual Cost (SH-AD 575)	$ 78,975,282
Billing and Payment - Actual	78,867,939
Difference	**$ 107,343**

Finding 2: The daily target minutes that LASD used in the calculation of the credit amount do not meet the service levels promised on Form SH-AD 575.

According to the contract, if the daily patrol service target minutes fall below ninety-eight percent (98%) of the service level minutes promised on Form SH-AD 575, then Metro or LASD shall adjust that month's invoice for the number of service level minutes that fell short compared to the promised daily service level minutes for that month.

For FY 2024, we reviewed and sampled LASD's billing for three invoices (January 2024, February 2024, and March 2024). For each invoice, we compared the annual and monthly rates billed to the annual firm fixed rate specified on Form SH-AD 575. We found that the annual rate and monthly rate for each level of service were computed in accordance with the contract requirement. However, we found the daily target minutes that LASD used in the calculation of the credit amount do not meet the service levels promised on Form SH-AD 575.

For the days that LASD did not meet the required 98% daily patrol service minutes, LASD calculated and included a credit amount in the invoice to refund Metro. The credit amount was calculated using the daily target minutes less than the provided minutes, multiplied by the rate per minute. The daily target minutes that LASD used to calculate the credit amount ranged from 33,120 minutes to 60,000 minutes, depending on the day of the week. The minutes provided were based on the Service Minutes Detailed Report (RAPS 500E rollcall sheets). For the three sample invoices tested, credit amounts of $15,967.18 were included in the January 2024 invoice, $10,123.76 in the February 2024 invoice, and $34,436.96 in the March 2024 invoice.

LASD provided two letters to Metro dated January 19, 2022, and January 31, 2022, with an explanation on the change to the deployment models. According to LASD, the target minutes used to calculate the credit amount were based on a Metro-approved modification to the deployment model, which allowed for the redistribution of target minutes based on ridership demand, rather than adhering to a fixed, seven-day-a-week structure. This operational adjustment was authorized through written correspondence between Transit Services Bureau Captain Shawn Kehoe and Metro Deputy Chief Judy Gerhardt. In that correspondence, Metro approved a change in the redeployment of target minutes to align law enforcement resources more effectively with ridership patterns. While this change altered the distribution of target minutes throughout the week, the total number of contracted minutes remained unchanged. Deputy Chief Gerhardt's letter confirmed the revised deployment model would be effective from April 3, 2022, through June 30, 2022, the end of the existing contract term. However, Metro continued to reflect its acceptance of this restructured approach through its approval of subsequent Service Level Authorization forms (SH-AD 575). After June 23, 2023, SH-AD 575 requirements should have been used for FY 2024.

Based on our review of the two letters dated January 19, 2022, and January 31, 2022, and Form SH-AD 575, we found the target minutes that LASD used in the calculation of the credit amount were less than the purchased minutes approved on form SH-AD 575. The table below summarizes the results of our review of the patrol service minutes.

Description	Form SH-AD 575
Effective Date	7/1/23 - 6/30/24
Annual Minutes Purchased (a)	20,148,000
Daily Compliance Percentage (b)	98%
Target Annual Minutes Purchased (c=a*b)	19,745,040
Target Minutes Used in the Calculation of the Credit Amount (d)	18,761,280
Minutes Variance (c-d)	983,760

According to Form SH-AD 575 for Fiscal Year 2024, the annual minutes purchased for patrol services are 20,148,000 minutes. Since LASD is required to provide a minimum of 98% daily compliance in purchased patrol service minutes, 98% of 20,148,000 minutes would equal to 19,745,040 minutes. However, the target minutes that LASD used to calculate the credit amount were 358,560 minutes per week or 18,761,280 minutes for the period from July 1, 2023, to June 30, 2024, a difference of 983,760 minutes.

Since the target minutes that LASD used in the calculation of the credit amount do not meet the service levels promised on Form SH-AD 575, we used the annual minutes of 20,148,000 to calculate the credit amount due to Metro. Given that LASD bills Metro the monthly pro-rata amounts of the annual firm fixed unit rate, the daily target minutes should be 20,148,000 annual minutes divided by 366 days, which equates to 55,049 daily minutes times 98%, resulting in 53,948 target minutes per day. For the days that LASD did not meet the 53,948 required daily target minutes, we calculated an additional credit amount due to Metro totaling $1,887,430.62 for the three sample invoices.

Recommendation 1: We recommend that Metro collaborate with LASD to review Fiscal Year 2024 invoices to ensure that all calculations align with the authorized service framework, particularly the variance between the target minutes used in the calculation of the credit amount and the purchased minutes approved on Form SH-AD 575. Also, since Metro's letter dated January 31, 2022, only confirmed approval of the revised deployment model for the period from April 3, 2022, through June 30, 2022, Metro's SSLE Department should obtain an updated Deployment Plan annually from LASD that reflects the same number of purchased patrol service minutes approved on Form SH-AD 575.

LASD Management Response

We concur that the daily target minutes used in the calculation of the credit amount do not meet the service levels promised on Form SH-AD 575. Our Contract Law Enforcement Bureau (CLEB) will conduct an analysis of the 98% daily tracker to reflect the corrected daily target minutes associated with the addition of three 2-deputy, 56-hour units, which became effective July 1, 2023. The analysis will cover FY 2023–24, FY 2024–25, and the first four months of FY 2025–26.

While we value the analysis conducted by your auditors from BCA Watson Rice LLP, we believe there may have been a misinterpretation of how the daily target minutes were structured and redistributed each day of the week, based on ridership demand. Looking at the second paragraph on page 8, auditors divided the total annual minutes purchased (20,148,000) by 366 calendar days, which provided an equal distribution of minutes across all seven days of the week and did not account for the daily variation in staffing levels based on ridership. The purported credit amount due to Metro ($1,887,430.62) for three months of invoices is calculated using the auditor's aforementioned method.

Remedy: CLEB has already begun an analysis of FY 2023–24, FY 2024–25, and the first four months of FY 2025–26. CLEB will work with LASD leadership to seek a remedy. I will work with CLEB and Metro's SSLE to obtain an updated deployment plan that reflects the same number of purchased patrol service minutes. Additionally, the 98% daily tracker will be updated to reflect the corrected daily target minutes by each day of the week, accounting for variations in staffing based on ridership.

Finding 3: A mathematical error of $9,870.66 was found on invoice no. 242243MC for February 2024.

For the February 2024 invoice (invoice no. 242243MC), LASD was below 98% compliance on two occasions: February 28 and February 29. LASD issued a credit of $10,123.75 for the shortage in minutes. We reviewed LASD's detailed calculation of the credit amount shown on the Patrol Compliance Schedule and noted that the credit amount of $9,677.12 for February 28 was not properly included in the total credit column. Thus, the credit amount of $9,677.12 plus 2% liability insurance of $193.54 for a total of $9,870.66 was erroneously excluded from the February 2024 invoice. The table below summarizes the results of our review of LASD's calculation of the credit amount due Metro for February 2024.

Date	Target Minutes	Provided Minutes	Minutes Variance	Rate Per Minute	Credit Amount	2% Liability Insurance	Total Amount
2/28/2024	60,000	57,660	2,340	$ 4.14	$ 9,677.12	$ 193.54	$ 9,870.66
2/29/2024	60,000	57,600	2,400	$ 4.14	$ 9,925.25	$ 198.50	$ 10,123.75
						Total Credit Amount Due Metro	$ 19,994.41
						Credit Amount per Invoice	$ 10,123.75
						Difference	$ 9,870.66

Recommendation 2: We recommend that Metro obtain a refund of $9,870.66 from LASD for the mathematical error found in the February 2024 invoice. We also recommend Metro review the remaining FY 2024 invoices not tested to ensure the credit amounts due to Metro were accurately calculated.

LASD Management Response

After a closer review of this finding, we concur with the recommendation pertaining to the error of $9,870.66 in favor of Metro.

Los Angeles Police Department (LAPD)

On March 1, 2017, Metro entered a five-year contract with LAPD for a not-to-exceed amount of $369,330,499 with a start date of March 1, 2017, and end date of June 30, 2022. This contract was subsequently modified by eight (8) modifications amending the Statement of Work, Contract Price, and Period of Performance. For FY 2024, Modification No. 8 was executed, extending the period of performance to June 30, 2024, and increasing the not-to-exceed total contract price to $616,910,858. The table below summarizes the amount approved up to June 30, 2024.

Description	Period of Performance	Contract Price Increase	Not-To-Exceed Contract Price
Base Contract	3/1/2017 - 6/30/2022		$ 369,330,499
Modification No. 2		$ 21,526,518	
Modification No. 3		38,628,480	
Modification No. 6	7/1/2022 - 12/31/2022	54,000,000	
Modification No. 7	1/1/2023 - 6/30/2023	28,506,245	
Modification No. 8	7/1/2023 - 6/30/2024	104,919,116	
TOTAL		**$ 247,580,359**	**$ 616,910,858**

Finding 4: Total amount billed and paid to LAPD for FY 2024 did not exceed the contract amount of $104,919,116 approved under Modification No. 8.

For FY 2024, the contract amount approved under Modification No. 8 was $104,919,116. The total amount billed and paid to LAPD was $98,002,288. Thus, the total amount billed and paid for FY 2024 did not exceed the contract amount of $104,919,116 as detailed in the table below.

Description		FY 2024
Modification No. 8 Contract Amount	$	104,919,116
Billing and Payment - Actual		98,002,288
Difference	**$**	**6,916,828**

Finding 5: The CAP 41 indirect cost rates used by LAPD to bill Metro were not current, resulting in an overbilling of $1,601,995.78.

LAPD continued to use CAP 41 indirect cost rates to bill Metro for FY 2024. We searched the City of Los Angeles website and found an Intradepartmental Correspondence to the Honorable Board of Police Commissioners for each fiscal year. This report was submitted annually to comply with the Mayor's Executive Directive No. FM-3, which directs all Departments to submit annually to the City Administrative Officer a report setting forth the costs for each special service they provide.

Based on our review of the Intradepartmental Correspondence to the Honorable Board of Police Commissioners, we found that the CAP rates decreased significantly since FY 2021. See the schedule below for CAP 41 to CAP 45 rates applicable for each fiscal year. These City-Wide rates established in the Cost Allocation Plan were prepared by the Controller's Office.

Fiscal Year	CAP No.	Civilian	Sworn With Field Support	Sworn without Field Support
FY 2020 - 2021	CAP 41	181.66%	171.28%	127.89%
FY 2021 - 2022	CAP 42	136.32%	153.23%	129.53%
FY 2022 - 2023	CAP 43	137.73%	161.76%	140.59%
FY 2023 - 2024	CAP 45	68.90%	111.53%	82.54%

Source: Board of Police Commissioners Intradepartmental Correspondence from City of Los Angeles Website

LAPD should have used CAP 42, CAP 43, and CAP 45 for FY 2022, FY 2023, and FY 2024, respectively, for invoicing its indirect costs to Metro. For FY 2024, we selected and reviewed LAPD's billings for three invoices (invoice no. 24MTADP01, 24MTADP02, and 24MTADP03). Invoice No. 24MTADP01 was for the period from January 14, 2024, to February 10, 2024, in the amount of $7,384,366.13. Invoice No. 24MTADP02 was for the period from February 11, 2024, to March 9, 2024, in the amount of $7,328,105.46. Invoice No. 24MTADP03 was for the period from March 10, 2024, to April 6, 2024, in the amount of $7,375,553.90. For the three sample invoices, if CAP 45 were properly used to bill Metro, the total CAP 45 amount would have been $2,367,729.39, which is $1,601,995.78 less than what Metro was billed using the CAP 41 amount of $3,969,725.17. The table below summarizes the calculation of the indirect cost overbilling of $1,601,995.78.

Invoice No.	Datasheet Name	Type	Labor Costs	CAP 41 Rate	CAP 41 Amount	CAP 45 Rate	CAP 45 Amount	Questioned CAP Amount
24MTADP01	TSB OH (Div 305)	Civilian	$ 58,636.80	174.09%	$ 102,080.80	61.33%	$ 35,961.95	$ 66,118.85
24MTADP01	TSB OH (Div 305)	Sworn	$ 718,337.48	160.85%	$ 1,155,445.83	101.10%	$ 726,239.19	$ 429,206.64
24MTADP01	TSB OH (Non-305)	Civilian	$ 29,079.67	181.66%	$ 52,826.12	68.90%	$ 20,035.89	$ 32,790.23
	Subtotal		$ 806,053.95		$ 1,310,352.75		$ 782,237.03	$ 528,115.72
24MTADP02	TSB OH (Div 305)	Civilian	$ 61,816.80	174.09%	$ 107,616.86	61.33%	$ 37,912.24	$ 69,704.62
24MTADP02	TSB OH (Div 305)	Sworn	$ 727,430.82	160.85%	$ 1,170,072.46	101.10%	$ 735,432.56	$ 434,639.90
24MTADP02	TSB OH (Non-305)	Civilian	$ 28,712.13	181.66%	$ 52,158.45	68.90%	$ 19,782.66	$ 32,375.79
	Subtotal		$ 817,959.75		$ 1,329,847.77		$ 793,127.46	$ 536,720.31
24MTADP03	TSB OH (Div 305)	Civilian	$ 61,816.80	174.09%	$ 107,616.86	61.33%	$ 37,912.24	$ 69,704.62
24MTADP03	TSB OH (Div 305)	Sworn	$ 725,834.50	160.85%	$ 1,167,504.78	101.10%	$ 733,818.68	$ 433,686.10
24MTADP03	TSB OH (Non-305)	Civilian	$ 29,947.71	181.66%	$ 54,403.01	68.90%	$ 20,633.97	$ 33,769.04
	Subtotal		$ 817,599.01		$ 1,329,524.65		$ 792,364.90	$ 537,159.75
	Total		$ 2,441,612.71		$ 3,969,725.17		$ 2,367,729.39	$ 1,601,995.78

For CAP 45, we used the City-Wide rates of 68.90% for Civilian and 111.53% for Sworn with Field Support. These rates were applicable to full time (straight time) positions not working at a Metro Office. According to the instructions for CAP 41, if the entity provides office space, telephone service, computers, vehicles, or any other items listed in the CAP rate calculations, LAPD's rates must be adjusted to exclude those items. Since Metro provides office space (telephones, water, electricity, all cleaning supplies, and custodial services), discounted monthly parking, cell phones, copy machines, and ink cartridges to the regular full-time staff working at Metro Office (Division 305), the Central Services rates were adjusted downward by 7.57% for Civilian and 10.43% for Sworn. The table below summarizes the CAP 41 charges to Metro and CAP 45 rates that should have been used in the calculation of the questioned cost of $1,601,995.78 above.

Description	City Wide Rate	Adjustments (Metro Office)	Metro Office Rate
CAP 41			
Civilian	181.66%	(7.57%)	174.09%
Sworn With Field Support	171.28%	(10.43%)	160.85%
CAP 45			
Civilian	68.90%	(7.57%)	61.33%
Sworn With Field Support	111.53%	(10.43%)	101.10%

Recommendation 3: Metro should enforce the contract requiring LAPD to submit annually the List of Maximum Fully Burdened Hourly Rates and all the required supporting documentation ninety (90) days prior to the start of each fiscal year and any changes to the CAP rates during the fiscal year. Metro should also review the billing rates for all invoices not reviewed by BCA for FY2024 to determine the extent of overbillings for FY 2024.

LAPD Management Response

The LAPD agrees with the process for notifications on changes to the Maximum Fully Burden Rates and supporting documentation. The LAPD disagrees that there was overbilling based on the federally approved CAP rate 41.

The Law Enforcement Services Contract's EXHIBIT B - MEMORANDUM OF COSTS states:

"The overhead rate for civilian and/or sworn personnel shall be based on the CAP overhead rate approved by the Federal Government (currently CAP37 - Attachment 3) in effect at the time the work was performed. This rate may change during the fiscal year based on approval by the Federal Government and shall be applied prospectively. The CAP rate changes shall be effective on the deployment period immediately succeeding each CAP change notification".

In accordance with the above, the (CAP) rates used in the calculation of the indirect cost for the contract were updated upon federal approval of such rates. The federal approval of CAP rate 41 was communicated to City Departments via the City Controller memo/notification dated January 6, 2021. The federal approval of CAP 42 were communicated to City Departments via the City Controller memo/notification dated October 17, 2024, and the CAP 42 rates were applied to contract invoices effective on the Deployment Period (DP) (DP 11: October 20, 2024, through November 16, 2024) following such notice.

Based on the latest communication from the City Controller dated March 12, 2025, "the CAP 43 to CAP 46 rates are pending approval by our Federal cognizant agency". The CAP rates being referred to are "draft" rates and not yet federally approved rates.

Based on the signed contract that specifically states the federally approved CAP rates are to be utilized for billing and invoicing and not the published CAP rates. The LAPD disagrees that the CAP rate 41 indirect cost rates used by the LAPD to bill Metro were not current, resulting in an overbilling of $1,601,995.78.

The LAPD's recommendation is to negotiate a change of language and utilize the published CAP rates for future billing and invoicing.

OIG Response to LAPD Management Response

The OIG agrees that more clear language can be negotiated, however we believe that the intention of the current language is clear enough, such that LAPD owes LA Metro a credit for the period of FY 2023 through 2024. Note that the amount set forth above encompasses only the audited quarter of FY24 not the entire years of credits for FY23-24. The OIG will perform a reconciliation for the exact amount for those years shortly hereafter.

Finding 6: One of LAPD's labor classifications totaling $4,734.44 on two sample invoices was not found on Metro's approved List of Maximum Fully Burdened Hourly Rates.

LAPD is required to submit annually a List of Maximum Fully Burdened Hourly Rates listing all the labor classifications and applicable rates. The contract further states that in no case shall the billing rate for personnel exceed the maximum fully burdened rate set for each personnel's labor classification.

For each of the three sample invoices, we compared the hourly rates billed to Metro's approved List of Maximum Fully Burdened Hourly Rates for full time (straight time) personnel and overtime personnel that LAPD submitted to Metro for FY 2024. Based on our review, we found one labor classification no. 2214C (Police Officer in Training or Police Officer II) that appears on invoice no. 24MTADP01 and 24MTADP03 but is not included Metro's approved List of Maximum Fully Burdened Hourly Rates. The total amount billed for this labor classification was $4,734.44, see table below.

Invoice No.	Amount Billed (CSC/G - 2214C)
24MTADP01	$ 3,548.21
24MTADP03	1,186.23
Total	$ 4,734.44

Recommendation 4: For any additional labor classifications not identified in the Lists of Maximum Fully Burdened Hourly Rates for full time (straight time) personnel and overtime personnel, LAPD should submit the revised lists to Metro for approval prior to incurring and billing the cost. Metro should continue to monitor LAPD's billings to ensure only the approved labor classifications are billed. Metro should also review the billing classifications for all invoices to determine the extent of overbillings for unapproved labor classifications.

LAPD Management Response

The LAPD agrees the labor classifications for full time and overtime list requires consistent updating. The LAPD disagrees that there is an overbilling for an unapproved classification.

Classification No. 2214C (Police Officer in Training/ Police Officer II) represents personnel who have completed the Metro Federal Safety Training but have not yet been authorized to perform line duties or billable overtime assignments under the current Metro contract. These officers are in a transitional training phase and are not deployed on the system.

As part of LAPD's internal controls, each officer who completes the Metro Federal Safety Training receives written notification outlining their probationary status and

specifying the date when they may begin working Metro overtime assignments.

Accordingly, no overbilling occurred, as the time associated with classification 2214C pertains strictly to completion of required Metro Federal Safety Training, rather than to field deployment or overtime assignment.

The next submission of the list of Maximum Fully Burdened Hourly Rates to Metro will include classification 2214C to ensure that all training-related classifications are fully documented and properly reflected.

Therefore, LAPD disagrees with an overbilling of $4,734.44 identified in the finding, as these charges represent training-related activities rather than unapproved or billable field assignments. Any law enforcement personnel who work the COAST overtime assignments have successfully completed their probationary period and possess a minimum of eighteen (18) months of law enforcement experience, ensuring full compliance with contractual staffing and experience requirements.

The LAPD's recommendation is to designate the difference between required federally approved training and patrol officers working operations. This can be articulated on the Overtime Slips and the E214s by the training instructors at time of the federally approved training.

Finding 7: Union benefits may have been billed twice to Metro, once using the fringe benefits rates and again as direct costs.

For the three sample invoices, a total of $512,006.95 was directly billed to the Metro contract for union benefits. These costs were billed using various timekeeping codes (VAR Codes). According to LAPD, these timekeeping codes (VAR Codes) were added due to negotiations with employees' labor unions or City Administrative changes. The table below summarizes the union benefits billed to Metro by VAR Codes.

VAR CODE	VARCODE DESCRIPTION	24MTADP01	24MTADP02	24MTADP03	Total
AR	Adjustment Permanent Variation in Rate	$ -	$ 763.33	$ -	$ 763.33
BE	Unknown	-	-	1,460.76	1,460.76
BR	LAPD Associates Degree Bonus	20,815.83	20,815.83	20,815.83	62,447.49
BV	LAPD Bachelors Degree Bonus	37,823.25	38,579.72	37,823.25	114,226.22
EB	Crime and Intelligence Analyst Cert	1,644.54	1,644.54	1,644.54	4,933.62
HY	Smoothing Variation for HW - System Generated	-	-	3,074.93	3,074.93
ID	I.O.D. Pay (Pension)	19,965.04	-	52,477.39	72,442.43
KS	Old Overtime Off At Straight Time - Police	-	3,217.17	3,011.57	6,228.73
KT	Old Overtime Off At 1 1/2 Times - Police	1,447.46	5,836.73	3,591.43	10,875.62
L1	Hourly Bonus - Lead Assignment Pay	190.23	-	-	190.23
LP	Leave With Pay	47,296.54	76,925.06	57,872.62	182,094.22
MK	LAPD Marksmanship Bonus (+ Or -)	1,836.38	1,836.38	1,606.84	5,279.60
PL	Personal Leave Hours	8,915.65	6,350.50	1,053.48	16,319.62
QZ	FML Covid 19 - Child Care (Not Supplementing)	8,093.65	-	-	8,093.65
RH	LAPD Vehicle Equipment Bonus	844.98	844.98	844.98	2,534.94
SE	Banked Excess Sick Time - Time Off	969.21	753.83	430.77	2,153.81
T9	Covid19 Work From Home Pay	10,757.70	4,446.71	1,983.45	17,187.86
TA	Tool Allowance	844.98	-	-	844.98
TO	Overtime Taken Off (1.5)	22.67	367.56	-	390.24
TS	Overtime Taken Off (Straight)	-	-	464.66	464.66
	Total	$ 161,468.12	$ 162,382.33	$ 188,156.49	$ 512,006.95

Concurrently, LAPD may have also billed Metro union benefits as part of their fringe benefits costs of $1,779,352.97 using the CAP 41 fringe benefits rates of 49.28% for Civilian and 75.81% for Sworn positions (see table below). According to the instructions for CAP 41, LAPD should contact the CAP Office for adjusted rates to determine if any costs listed in fringe benefits were directly billed to the contract to avoid double billing.

Invoice No.	Datasheet Name	Type	Labor Costs	Fringe Benefit Rate (CAP 41)	Fringe Benefit Amount
24MTADP01	TSB OH (Div 305)	Civilian	$ 58,636.80	49.28%	$ 28,896.22
24MTADP01	TSB OH (Div 305)	Sworn	718,337.48	75.81%	544,571.64
24MTADP01	TSB OH (Non-305)	Civilian	29,079.67	49.28%	14,330.46
	Subtotal		806,053.95		587,798.32
24MTADP02	TSB OH (Div 305)	Civilian	61,816.80	49.28%	30,463.32
24MTADP02	TSB OH (Div 305)	Sworn	727,430.82	75.81%	551,465.30
24MTADP02	TSB OH (Non-305)	Civilian	28,712.13	49.28%	14,149.34
	Subtotal		817,959.75		596,077.96
24MTADP03	TSB OH (Div 305)	Civilian	61,816.80	49.28%	30,463.32
24MTADP03	TSB OH (Div 305)	Sworn	725,834.50	75.81%	550,255.13
24MTADP03	TSB OH (Non-305)	Civilian	29,947.71	49.28%	14,758.23
	Subtotal		817,599.01		595,476.68
	Total		$ 2,441,612.71		$ 1,779,352.97

Recommendation 5: LAPD should contact the CAP office to obtain clarification and any supporting documentation regarding whether the additional union benefits billed directly to the Metro contract were included in the calculation of the fringe benefits rates, and whether the fringe benefits rates should be adjusted if additional union benefits were directly billed to Metro. Metro should also review the explanation and any supporting documents from the CAP office to ensure that the union benefits were not billed twice. Metro should provide written notice on this clarification and any recalculation within 45 days.

LAPD Management Response

The LAPD disagrees with the assertion that there was double billing caused by the inclusion of union-sponsored benefits as part of Fringe Benefits.

The "union-sponsored benefits" line-item encompasses union-sponsored optical, dental, and life insurance. These special City-subsidized benefits were extended to several employee bargaining units because of salary negotiations, in lieu of a partial general salary increase, and constitute a separate cost pool.

The inclusion of these costs under Fringe benefits is entirely separate from billing reimbursable bonuses, supplemental pay, and other CTO elements specifically allowed in the contract.

NOTE: The subsidy payments for these union-sponsored benefits are reported as a line-item expenditure by the Personnel Department from the Human Resource Benefits Account (Dept 61, Account #9330, net of additional Life insurance per ordinance for upper management) in the Controller's RECAP OF EXPENDITURE REPORT. The Personnel Department's Employee Benefits Office provides a report detailing the City subsidy amount paid towards these Union-sponsored benefit plans during the fiscal year.

Finding 8: The overhead rates billed for overtime were not adequately supported.

For overtime personnel working at Metro Office (Division 305), LAPD billed Metro using the overhead rates of 5.02% for Civilian and 10.59% for Sworn. For personnel not working at Metro Office (Division 305), LAPD billed Metro using the rates of 6.27% for Civilian and 11.44% for Sworn. A copy of Memorandum No. 21-001 dated January 6, 2021, was provided to support the Cost Allocation Plan (CAP) 41 indirect cost rates for regular full-time staff. According to the instructions for CAP 41, these rates are to be applied only to straight time for full time gross salaries. For rates applicable to part time or overtime salaries, LAPD needs to contact the CAP office. No documentation was provided to support the overhead rates for overtime. Thus, we are unable to verify the validity of these

overhead rates billed to Metro. For the three sample invoices, LAPD billed a total of $1,467,793.35 in overhead costs for overtime.

Recommendation 6: LAPD should contact the CAP office to obtain the CAP rates for overtime and submit these documents to Metro within 45 days, together with the List of Maximum Fully Burdened Hourly Rates. Metro should continue to monitor LAPD's billings to ensure the overhead rates billed for overtime were adequately supported. Any revised billing based on that correction should be provided promptly following contact with the CAP office.

LAPD Management Response

The LAPD agrees to provide documents supporting CAP 41 Central Services and Fringe Benefit rates. As per the attached document (titled "City of Los Angeles, CAP rate 41 For Central Services and Fringe Benefits"), the CAP rate charged for overtime is fully documented as follows:

	CAP 41 RATES	
CAP Rates	(no CS, MTA facility)	(w CS, LAPD facility)
Civilian FT	174.09%	181.66%
Civilian OT	5 .0 2%	6 .27 %
Sworn FT	1 60.85 %	171.28%
Sworn OT	10.59 %	11.44%

Long Beach Police Department (LBPD)

On March 23, 2017, Metro entered a five-year contract with LBPD for a not-to-exceed amount of $30,074,628 with a start date of March 23, 2017, and end date of June 30, 2022. This contract was subsequently modified by nine (9) modifications amending the Statement of Work, Contract Price, and Period of Performance. For FY 2024, Modification No. 9 was executed, extending the period of performance to June 30, 2024, and increasing the not-to-exceed total contract price to $54,238,916. The table below summarizes the amount approved up to June 30, 2024.

Description	Period of Performance	Contract Price Increase	Not-To-Exceed Contract Price
Base Contract	3/23/2017 - 6/30/2022		$ 30,074,628
Modification No. 3		$ 3,147,962	
Modification No. 4		$ 3,730,814	
Modification No. 7	7/1/2022 - 12/31/2022	$ 4,500,000	
Modification No. 8	1/1/2023 - 6/30/2023	$ 2,628,219	
Modification No. 9	7/1/2023 - 6/30/2024	$ 10,157,293	
TOTAL		**$ 24,164,288**	**$ 54,238,916**

Finding 9: The total amount billed and paid to LBPD for FY 2024 did not exceed the contract amount of $10,157,293.

For FY 2024, the contract amount approved under Modification No. 9 was $10,157,293. The total amount billed and paid to LBPD was $8,423,222. Thus, the total amount billed and paid for FY 2024 did not exceed the contract amount of $10,157,293 as detailed in the table below.

Description	FY 2024
Modification No. 9 Contract Amount	$ 10,157,293
Billing and Payment - Actual	8,423,222
Difference	**$ 1,734,071**

Finding 10: Invoices were supported by bi-weekly Work Hour Detail Schedules, Daily Metro Cost, Regular Overtime Report, and Employee Time Records. However, payroll records were not submitted with the invoices.

According to Modification No. 6, Section 7.0 of the Statement of Work, the Contractor's monthly invoice shall be based on actual services provided under the terms of the contract. The billing must be accompanied by supporting documentation, to include but shall not be limited to, daily summary of assignments and hours worked, ***and payroll records***. Also, Modification No. 2, Memorandum of Costs, specified that total direct labor cost shall be calculated based on actual hourly direct labor rate multiplied by number of actual hours worked.

We reviewed LBPD's billing for three invoices in the amounts of $653,331.33 for February 2024, $1,000,387.54 for March 2024, and $654,385.20 for April 2024. For each invoice, LBPD submitted a Work Hour Detail schedule by pay period, Daily Metro Cost, Regular Overtime Report, and Employee Time Records. However, payroll records were not submitted with the invoices to support the actual hourly direct labor rates billed.

According to LBPD, the Bi-Weekly Work Hour Detail Schedules are generated directly from LBPD's financial system and reflect the payroll data used to determine employee compensation and associated costs. The Regular Overtime Reports and Employee Time

Records serve as the source data that is entered into the financial system, enabling the generation of the Bi-Weekly Work Hour Detail Schedules. These documents have been submitted consistently since the beginning of the contract and serve as LBPD's official payroll records in support of all invoiced amounts.

Recommendation 7: Metro's SSLE Department should document the acceptance of the Bi-Weekly Work Hour Detail Schedules as payroll data.

Finding 11: Paid Time Off (PTO) accrual hours billed totaling $186,899 were found to be unallowable per Contract Modification No. 2.

LBPD Work Hour Detail Schedules included with the invoices show that the hours billed included PTO accrual hours. However, according to revised Memorandum of Costs (Contract Modification No. 2), total direct labor cost shall be calculated based on actual hourly direct labor rate multiplied by number of actual hours worked. Since PTO accrual hours were not actual hours worked, PTO hours are not allowed according to Contract Modification No. 2.

According to LBPD's May 7, 2021, memo to Metro's SSLE, monthly invoices submitted will include a PTO factor that allows for the billable hours to capture the real cost of employee benefits according to the labor MOUs. Full time employees were compensated for 2,088 annual hours, which accounts for both direct work hours, as well as the accruals for PTO hours, which were based on years of service under the employee labor agreements. The hours for which PTO was collected had been excluded from previous billing calculations. Without their inclusion, LBPD would be subsidizing the costs of staff assigned to the Metro contract instead of collecting the full costs. Metro is not billed for time off when employees assigned to the contract take time off.

According to Metro SSLE, PTO accrual hours included were for transparency purposes. Prior to May 2021, LBPD work details reflected hours that did not align with the timecards reviewed by the Metro compliance group. LBPD informed the compliance group that the hours in the work detail reflected PTO accrual because PTO was actual costs. The compliance group requested that LBPD include the PTO hours in the Work Detail Schedules. PTO hours could therefore be provided for transparency purposes but not for billing to Metro.

The Work Hour Detail Schedule only shows total hours and a lump sum amount for each line item without showing each employee's actual pay rate and the cost breakdown of the associated benefit costs. Thus, we reviewed the detailed cost breakdown shown on LBPD Daily Metro Cost Reports and found that a benefit rate of 64.014% was included in the total labor cost for Police Sergeant and Police Lieutenant. For Administrative Analyst III and Clerk Typist III, a benefit rate of 57.883% was included in the total labor cost. There was no detailed cost breakdown of the labor rates billed for a Police Officer position.

Based on these daily reports, the benefit rates of 64.014% and 57.883% include: (1) PERS Pension, (2) Health/Dental/Life Insurance, (3) Vacation/Sick Leave Overhead Rate, (4) Medicare, (5) Retirement Sick Leave Overhead Rate, and (6) Workers Comp. No documentation was provided to support the benefit rates of 64.014% and 57.883%. If PTO was already included in the benefit rates and reflected in the hourly rates billed, billing PTO hours again in addition to actual hours worked appears to be double billing. For the three sample invoices, the amount billed for PTO hours totaled $186,899 (see schedule below).

Invoice No.	Invoice Period	PTO Amount
0580MTA-2405	02/01/24 - 02/29/24	$ 58,055.82
0580MTA-2406	03/01/24 - 03/31/24	78,399.89
0580MTA-2407	04/01/24 - 04/30/24	50,443.29
Total		$ 186,899.00

Recommendation 8: LBPD should provide Metro with the Cost Allocation Plan to support the benefit rates of 64.014% and 57.883% included in the billing rates. If PTO is already included in the benefit rates, then Metro should disallow the costs billed for PTO hours of $186,899, since PTO costs are already recovered through the benefit rates and reflected in the hourly rate billed for each employee.

LBPD Response

The Bi-Weekly Work Hour Detail Schedules are generated directly from LBPD's financial system and reflect the payroll data used to determine employee compensation and associated costs. The Regular Overtime Reports and Employee Time Records serve as the source data that is entered into the financial system, enabling the generation of the Bi-Weekly Work Hour Detail Schedules. These documents have been submitted consistently since the beginning of the contract and serve as LBPD's official payroll records in support of all invoiced amounts.

Finding 12: Mathematical errors were found on LBPD's List of Maximum Fully Burdened Hourly Rates, resulting in an overbilling of $8,051.13.

According to contract Modification No. 2, ninety (90) days prior to the start of each fiscal year, LBPD is required to submit for Metro's approval, a List of Maximum Fully Burdened Hourly Rates per labor classification, together with the necessary documentation in support of the proposed rates, including applicable MOUs with labor union and current payroll records. We reviewed LBPD's List of Maximum Fully Burdened Hourly Rates for FY 2024 and found that the rates were not properly calculated. The table below summarizes our calculation of the math errors.

Classification	Hourly Rate with Benefits	Administrative Overhead Rate (25%)	Maximum Burdened Rate Recalculated	Maximum Burdened Rate Per LBPD's List	Difference (Math Error)
	(a)	(b=a*25%)	(c=a+b)	(d)	(d-c)
Police Lieutenant	$ 177.42	$ 44.35	$ 221.77	$ 232.86	$ 11.09
Police Sergeant	$ 153.29	$ 38.32	$ 191.61	$ 201.19	$ 9.58
Police Corporal	$ 134.31	$ 33.58	$ 167.89	$ 176.28	$ 8.39
Police Officer	$ 134.31	$ 33.58	$ 167.89	$ 176.28	$ 8.39
Administrative Analyst III	$ 79.15	$ 19.79	$ 98.93	$ 103.88	$ 4.95
Clerk Typist III	$ 48.00	$ 12.00	$ 60.00	$ 63.00	$ 3.00

Contract Modification No. 2 further states that in no case shall actual fully burdened hourly rate billed for each personnel be greater than the maximum fully burdened hourly rate set per labor classification for each applicable period. For the three sample invoices, Metro SSLE disallowed a total of $12,595.05 for the personnel whose fully burdened rates billed exceeded the maximum burdened rates shown on LBPD's list. Since the maximum burdened rates on LBPD's list contain math errors, the amount disallowed by Metro SSLE was understated. We recalculated the total overbilled amount to be $20,646.18, which is $8,051.13 more than the $12,595.05 disallowed by Metro SSLE (see table below for details).

PayPeriod	Job Class Title	Last Name	Total Hours Billed	Fully Burdened Rate Billed	Maximum Burdened Rate	Rate Difference	Overbilled Amount	Metro Adjustments	Net Overbilled Amount
1/26/2024	ADMIN ANALYST III	CARTER	84.560	$ 151.82	$ 98.93	$ 52.89	$ 4,472.12	$ (4,053.54)	$ 418.57
2/9/2024	ADMIN ANALYST III	CARTER	48.320	$ 132.59	$ 98.93	$ 33.66	$ 1,626.65	$ (1,387.47)	$ 239.18
2/9/2024	POLICE LIEUTENANT	YAP	33.824	$ 254.47	$ 221.77	$ 32.70	$ 1,105.95	$ (730.84)	$ 375.11
1/26/2024	POLICE OFFICER	CRANEY	100.400	$ 193.25	$ 167.89	$ 25.36	$ 2,546.03	$ (1,703.68)	$ 842.36
1/26/2024	POLICE OFFICER	MANUSSELIS	9.000	$ 225.74	$ 167.89	$ 57.85	$ 520.67	$ (445.16)	$ 75.51
1/26/2024	POLICE OFFICER	ORTIZ	5.000	$ 176.49	$ 167.89	$ 8.60	$ 42.99	$ (1.04)	$ 41.95
1/26/2024	POLICE OFFICER	PEREZ	30.000	$ 182.43	$ 167.89	$ 14.54	$ 436.29	$ (184.59)	$ 251.70
2/9/2024	POLICE OFFICER	LOBASCIO	10.000	$ 168.33	$ 167.89	$ 0.44	$ 4.36	$ -	$ 4.36
2/9/2024	POLICE OFFICER	PEREZ	56.908	$ 173.70	$ 167.89	$ 5.81	$ 330.82	$ -	$ 330.82
			Subtotal (Invoice No. 0580MTA-2405)				$ 11,085.87	$ (8,506.31)	$ 2,579.56
3/22/2024	POLICE LIEUTENANT	YAP	79.728	$ 228.63	$ 221.77	$ 6.86	$ 547.13	$ -	$ 547.13
2/23/2024	POLICE OFFICER	CONRAD	82.480	$ 177.39	$ 167.89	$ 9.50	$ 783.36	$ (91.35)	$ 692.01
3/8/2024	POLICE OFFICER	CRANEY	70.240	$ 176.49	$ 167.89	$ 8.60	$ 603.82	$ (14.51)	$ 589.31
3/8/2024	POLICE OFFICER	ORTIZ	5.000	$ 174.02	$ 167.89	$ 6.13	$ 30.63	$ -	$ 30.63
3/22/2024	POLICE OFFICER	CONRAD	94.560	$ 170.25	$ 167.89	$ 2.36	$ 222.81	$ -	$ 222.81
2/23/2024	POLICE SERGEANT	MESUN	48.320	$ 213.28	$ 191.61	$ 21.67	$ 1,046.99	$ (584.09)	$ 462.91
			Subtotal (Invoice No. 0580MTA-2406)				$ 3,234.74	$ (689.94)	$ 2,544.79
4/5/2024	POLICE LIEUTENANT	YAP	78.520	$ 229.76	$ 221.77	$ 7.99	$ 627.12	$ -	$ 627.12
4/5/2024	POLICE OFFICER	BANUELOS JR	74.160	$ 176.38	$ 167.89	$ 8.49	$ 629.72	$ (7.51)	$ 622.20
4/5/2024	POLICE OFFICER	PEREZ	43.240	$ 192.53	$ 167.89	$ 24.64	$ 1,065.37	$ (702.59)	$ 362.78
4/19/2024	POLICE OFFICER	PEREZ	54.240	$ 188.85	$ 167.89	$ 20.96	$ 1,137.06	$ (681.99)	$ 455.07
4/5/2024	POLICE SERGEANT	MESUN	55.568	$ 203.00	$ 191.61	$ 11.39	$ 632.67	$ (100.32)	$ 532.34
4/5/2024	POLICE SERGEANT	ORANTES	34.160	$ 257.00	$ 191.61	$ 65.39	$ 2,233.64	$ (1,906.39)	$ 327.25
			Subtotal (Invoice No. 0580MTA-2407)				$ 6,325.57	$ (3,398.80)	$ 2,926.77
						Total	$ 20,646.18	$ (12,595.05)	$ 8,051.13

Recommendation 9: We recommend that Metro obtain a refund of an additional $8,051.13 over the $12,595.05 disallowed from LBPD for the labor rates difference. Metro should also review the remaining invoices not tested to determine the extent of labor rates overbilling.

Finding 13: Other Direct Costs (ODC) billed were not adequately supported.

Under Contract Modification No. 2, LBPD was allowed to bill the actual cost of vehicles, equipment, supplies, including uniforms and other items needed by law enforcement personnel in the performance of the Statement of Work. For the sample invoices, LBPD billed a total of $39,364.97 for ODC, of which $2,818.35 was for inmate booking costs, $4,005.39 for body worn camera support and license, $4,042.28 was for supplies and equipment, and $28,498.95 for fleet services. Vendor invoices were provided to support the amount billed for supplies and equipment. For Inmate Booking Cost, LBPD billed a rate of $939.45 for each booking. For Body Worn Camera Support & License, LBPD billed a monthly rate of $1,335.13. This monthly rate and booking rate were not found in the contract agreement or contract modifications. Detailed cost schedules were provided to support the amount billed for inmate booking costs, body worn camera support and license, and fleet services. However, vendor invoices and/or other source documents were not provided to adequately support the amounts claimed on these detailed cost schedules. Thus, we are unable to verify the validity of these amounts.

The table below summarizes the amount billed for ODC and the unsupported cost of $35,322.69.

Description	Amount Billed (February 2024)	Amount Billed (March 2024)	Amount Billed (April 2024)	Total	Unsupported Cost
Inmate Booking Cost	$ 1,878.90	$ 939.45	$ -	$ 2,818.35	$ 2,818.35
Body Worn Camera Support & License	$ 1,335.13	$ 1,335.13	$ 1,335.13	$ 4,005.39	$ 4,005.39
Supplies and Equipment	$ 1,036.74	$ -	$ 3,005.54	$ 4,042.28	
Fleet Services	$ 3,530.26	$ 16,988.79	$ 7,979.90	$ 28,498.95	$ 28,498.95
Total	$ 7,781.03	$ 19,263.37	$ 12,320.57	$ 39,364.97	$ 35,322.69

Recommendation 10: LBPD should provide Metro with adequate documentation to support ODC billings included above. Supporting documentation should include third party invoices, CPA audit reports, or the City of Long Beach Cost Allocation Plan. Metro's SSLE Department should also ensure LBPD's ODC billings are adequately supported before approving the invoices for payment. If LBPD will not provide the supporting documentation, then Metro should seek a refund of that amount.

LBPD's Response

LBPD respectfully submits the following clarifications and supporting context regarding the support for Other Direct Costs (ODC) billed under the contract. At the outset of the agreement, LBPD engaged directly with Metro staff to confirm expectations regarding the format and content of backup documentation. In September 2020, Metro staff reviewed a draft of LBPD's documentation and responded affirmatively that the format met their requirements. This communication is attached for reference. While minor comments were provided on specific costs, Metro did not indicate that the overall documentation was inadequate or incomplete. Since that initial confirmation, LBPD has consistently used the same documentation format across all billing cycles, and no concerns were brought to our attention regarding its sufficiency until this audit. For Body Worn Camera (BWC) support, licensing, archiving, and redaction costs, LBPD maintains vendor invoices on file that directly substantiate the amounts billed to Metro. These invoices were maintained as part of our standard internal documentation procedures and were available to support the costs submitted to Metro. Regarding Fleet Services and Technology Costs, these services are provided by other City of Long Beach departments through established interdepartmental cost recovery processes. In accordance with our internal cost recovery procedures, we included detailed summary tables in each billing packet to reflect these costs associated with these internal services. These summaries were designed to provide clear and transparent support for the charges billed. Given this history of documented acceptance, the availability of supporting records, and our consistent application of approved practices, LBPD respectfully request that this finding be reconsidered.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
1	Metro should apply a credit amount of $1,897,301.28 for the January 2024, February 2024, and March 2024 invoice tested. Metro should review the remaining FY 2024 invoices not tested and calculate the additional credit amount owed by LASD to Metro.	Neutral	N/A	In response to the audit inquiry regarding the $1.8 million credit, SSLE-Compliance respectfully request that the OIG/Auditors provide a detailed, itemized breakdown of the calculations supporting this amount. SSLE-Compliance is unable to request repayment from our contractors without sufficient documentation and justification. Providing a comprehensive explanation not only ensures transparency and accountability but also allows SSLE-Compliance to review the methodology employed and identify any potential errors or discrepancies.	Requested documentation from OIG/Auditors that would support the proposed credit was not provided to DPS.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
2	LAPD depends on the Los Angeles City Finance Office to supply them with the correct CAP rates. If that Finance Office has not provided LAPD with current rates, then it should do so. Notwithstanding that, Metro should apply a credit for the overbilling amounts detailed above for $1,606,730.22. Metro should review the remaining FY 2024 invoices not tested and calculate the additional amount owed by LAPD to Metro.	Agree	Ongoing	**LA City CAP Rate Schedule** CAP 41 FY2020-21 CAP 42 FY2021-22 CAP 43 FY2022-23 CAP 45 FY2024-25 **LAPD CAP Rate Schedule** CAP 41 FY2021-22 CAP 41 v2 2/21 - 3/23 CAP 41 v3 4/23 - 6/24 CAP 42 7/24 - Present The Auditors applied a CAP Rate schedule obtained from the official website of the City of Los Angeles. This schedule adheres to an implementation timeline that differs from that utilized by the LAPD. Accordingly, SSLE-Compliance hereby requests that the OIG/Auditors furnish a detailed itemization and explanatory breakdown of the methodology and calculations used to determine the alleged overbilled amount.	After meeting with the OIG/Auditors it has been determined that the CAP Rates being provided by LAPD were not current. LAPD has verbally indicated that they are amenable to revising Exhibit B – Memorandum of Cost to modify the current CAP rate language from “federally approved CAP rates” to “published CAP rates”. Language in the contract - Exhibit B - Memorandum of Cost is being modified to reflect the following: Overtime Position Overhead Rate (for sworn personnel) Overtime Position Overhead Rate shall be computed as follows: = Hourly Direct Labor Rate x OT Overhead Rate The indirect overtime overhead rate of sworn personnel shall be based on the CAP overhead rate approved by the Federal Government applicable for each fiscal period. . Pending receipt of the federally approved CAP rate, the interim CAP rate issued by the Los Angeles City Controller’s Office shall apply.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
3	Metro should apply a credit of $230,272.82 for the overbilling amounts detailed above. Metro should review the remaining FY 2024 invoices not tested and calculate the additional amount owed by LBPD to Metro.	Neutral	N/A	In response to the audit inquiry regarding the $230,272.82 credit, SSLE-Compliance respectfully request that the OIG/Auditors provide a detailed, itemized breakdown of the calculations supporting this amount. SSLE-Compliance is unable to request repayment from our contractors without sufficient documentation and justification. Providing a comprehensive explanation not only ensures transparency and accountability but also allows SSLE-Compliance to review the methodology employed and identify any potential errors or discrepancies.	Requested documentation from OIG/Auditors that would support the proposed credit was not provided to DPS.
4	We recommend that Metro collaborate with LASD to review Fiscal Year 2024 invoices to ensure that all calculations align with the authorized service framework, particularly the variance between the target minutes used in the calculation of the credit amount and the purchased minutes approved on Form SH-AD 575. Also, since Metro's letter dated January 31, 2022, only confirmed approval of the revised deployment model for the period from April 3, 2022, through June 30, 2022, Metro's SSLE Department should obtain an updated Deployment Plan annually from LASD that reflects the same number of purchased patrol service minutes approved on Form SH-AD 575.	Agree	Ongoing	For billing purposes, LASD's deployment plan is fixed and does not change once the SH-AD 575 form is approved. Approval of the SH-AD 575 establishes the fixed service level for the entire fiscal year. In instances where amendments are required, LASD consistently notifies SSLE Command Staff. It is important to note that the SH-AD 575 differs from LASD's overall deployment model. The SH-AD 575 reflects only billable patrol-class personnel, whereas the deployment model encompasses all TSD staff, both billable and non-billable. As a result, the SH-AD 575 and the deployment plan will not align on a 1:1 basis: one is specific to billing, and the other represents comprehensive operational staffing. For fiscal year 2026, SSLE-Compliance will request an updated deployment plan to maintain alignment with audit and contractual oversight requirements.	DPS will ensure V/CM requests an updated copy of LASD's deployment plan to ensure alignment with audit and contractual oversight requirements.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
5	We recommend that Metro obtain a refund of $9,870.66 from LASD for the mathematical error found in the February 2024 invoice. We also recommend Metro review the remaining FY 2024 invoices not tested to ensure the credit amounts due to Metro were accurately calculated.	Neutral	N/A	SSLE-Compliance respectfully request that the OIG/Auditors provide a detailed mathematical breakdown illustrating the identified error. This will enable SSLE-Compliance to thoroughly review the calculations and allow LASD to clearly understand the specific point at which the discrepancy occurred. Providing such a breakdown ensures transparency, facilitates accurate assessment, and supports proper resolution in accordance with contractual and regulatory obligations.	Requested documentation from OIG/Auditors that would support the proposed credit was not provided to DPS.
6	Metro should enforce the contract requiring LAPD to submit annually the List of Maximum Fully Burdened Hourly Rates and all the required supporting documentation ninety (90) days prior to the start of each fiscal year, and any changes to the CAP rates during the fiscal year. Metro should also review the billing rates for all invoices not reviewed by BCA for FY2024 to determine the extent of overbillings for FY 2024.	Agree	Ongoing	SSLE-Compliance respectfully request that the OIG/Auditors provide a detailed mathematical breakdown illustrating the identified error. This will enable SSLE-Compliance to thoroughly review the calculations and allow LASD to clearly understand the specific point at which the discrepancy occurred. Providing such a breakdown ensures transparency, facilitates accurate assessment, and supports proper resolution in accordance with contractual and regulatory obligations.	During contract negotiations, DPS requires V/CM to obtain from LAPD the most current Maximum Fully Burdened Rates, reflecting any personnel changes or requests to add personnel within the preceding 90 days.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
7	For any additional labor classifications not identified in the Lists of Maximum Fully Burdened Hourly Rates for full-time (straight time) personnel and overtime personnel, LAPD should submit the revised lists to Metro for approval prior to incurring and billing the cost. Metro should continue to monitor LAPD's billings to ensure only the approved labor classifications are billed. Metro should also review the billing classifications for all invoices to determine the extent of overbillings for unapproved labor classifications.	Agree	Ongoing	LAPD currently furnishes LACMTA with updated Maximum Fully Burdened Rates to reflect any personnel changes, as well as any requests for the addition of classifications or VAR Codes.	There is no change to existing practices. During invoice review, when unauthorized VAR Codes or labor classifications are identified, LACMTA requires a detailed explanation for their use and will disallow such codes or classifications until formal approval is granted.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
8	LAPD should contact the CAP office to obtain clarification and any supporting documentation regarding whether the additional union benefits billed directly to the Metro contract were included in the calculation of the fringe benefits rates, and whether the fringe benefits rates should be adjusted if additional union benefits were directly billed to Metro. Metro should also review the explanation and any supporting documents from the CAP office to ensure that the union benefits were not billed twice. Metro should provide written notice on this clarification and any recalculation within 45 days.	Agree	Ongoing	SSLE-Compliance will forward the OIG/Auditor's recommendations to the LAPD for a response, after which SSLE-Compliance will review the explanations submitted by LAPD's CAP Office and provide a response as necessary.	LAPD has verbally indicated that they are amenable to revising Exhibit B – Memorandum of Cost to modify the current CAP rate language from "federally approved CAP rates" to "published CAP rates". Language in the contract - Exhibit B - Memorandum of Cost is being modified to reflect the following: Overtime Position Overhead Rate (for sworn personnel) Overtime Position Overhead Rate shall be computed as follows: = Hourly Direct Labor Rate x OT Overhead Rate The indirect overtime overhead rate of sworn personnel shall be based on the CAP overhead rate approved by the Federal Government applicable for each fiscal period. . Pending receipt of the federally approved CAP rate, the interim CAP rate issued by the Los Angeles City Controller's Office shall apply.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
9	LAPD should contact the CAP office to obtain the CAP rates for overtime and submit these documents to Metro within 45 days, together with the List of Maximum Fully Burdened Hourly Rates. Metro should continue to monitor LAPD's billings to ensure the overhead rates billed for overtime were adequately supported. Any revised billing based on that correction should be provided promptly following contact with the CAP office.	Agree	Ongoing	SSLE-Compliance will forward the OIG/Auditor's recommendations to LAPD. SSLE-Compliance will continue to monitor LAPD's billings to ensure that the overhead rates charged are supported by adequate documentation and will issue corrective action requests as necessary.	LAPD has verbally indicated that they are amenable to revising Exhibit B – Memorandum of Cost to modify the current CAP rate language from "federally approved CAP rates" to "published CAP rates". Language in the contract - Exhibit B - Memorandum of Cost is being modified to reflect the following: Overtime Position Overhead Rate (for sworn personnel) Overtime Position Overhead Rate shall be computed as follows: = Hourly Direct Labor Rate x OT Overhead Rate The indirect overtime overhead rate of sworn personnel shall be based on the CAP overhead rate approved by the Federal Government applicable for each fiscal period. Pending receipt of the federally approved CAP rate, the interim CAP rate issued by the Los Angeles City Controller's Office shall apply.
10	Metro's SSLE Department should document the acceptance of the Bi-Weekly Work Hour Detail Schedules as payroll data.	N/A	N/A	Effective April 1, 2025 the Long Beach Police Department no longer contracts with Metro.	Effective April 1, 2025 the Long Beach Police Department no longer contracts with Metro.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
11	LBPD should provide Metro with the Cost Allocation Plan to support the benefit rates of 64.014% and 57.883% included in the billing rates. If PTO is already included in the benefit rates, then Metro should disallow the costs billed for PTO hours of $186,899, since PTO costs are already recovered through the benefit rates and reflected in the hourly rate billed for each employee.	Disagree	N/A	The following represents relevant sections of LPBD's response to previous attempts to request a Cost Allocation Plan to further evaluate the application of benefit rates: *The LBPD Daily Metro Cost Reports were intended solely to provide a daily summary of hours worked by personnel working the Metro Detail and were not designed with the detail necessary to calculate actual labor costs. The benefit rates included should not be assumed to provide the most up to date rates, as they are not generated by the financial system.* *Regarding the auditors' request for a CPA Audit Report or Cost Allocation Plan, LBPD would like to reiterate that the labor costs in question are direct costs. As such, they are not included in, nor governed by a Cost Allocation Plan, which applies exclusively to indirect costs. Accordingly, there is no Cost Allocation Plan documentation that would be relevant to this request.* *Please note, LBPD does not have control over the payroll system, nor are we responsible for how the benefits rates are set or applied. Employee Benefit rates are developed and applied citywide by the City of Long Beach's Financial Management Department. To collect the appropriate benefit cost for each employee, the payroll system applies the rate based on hours worked each pay period, calculates and charges the appropriate cost on a monthly or bi-monthly basis, depending on the benefit. Thus, employee salary and benefit costs are calculated by the central payroll system, and LBPD uses that information to in turn bill for those costs.*	This response reaffirms LPBD's prior position and reflects no change. The LBPD Daily Metro Cost Reports are intended only to summarize hours worked by Metro Detail personnel and are not designed to calculate actual labor costs. Benefit rates shown in these reports may not reflect current rates, as they are not generated by the financial system. LPBD reiterates that the labor costs in question are direct costs and therefore are not subject to a Cost Allocation Plan, which applies solely to indirect costs. As a result, no Cost Allocation Plan or related documentation is applicable to this request. LPBD has stated they do not control the payroll system or the establishment of benefit rates. Benefit rates are developed and applied citywide by the City of Long Beach's Financial Management Department, with salary and benefit costs calculated through the central payroll system and used by LPBD for billing purposes.

Recommendations and Proposed Actions (DPS) Updated Responses 1.28.26					
No.	**Recommendation**	**Agree Disagree Neutral**	**Completion Date Estimate**	**Response**	**January 2026 Updated Response**
12	We recommend that Metro obtain a refund of an additional $8,051.13 over the $12,595.05 disallowed from LBPD for the labor rates difference. Metro should also review the remaining invoices not tested to determine the extent of labor rates overbilling.	Agree	To be addressed during reconciliation meeting	SSLE-Compliance recognizes the mathematical error the auditors discovered in the maximum burdened rates and during contract "Close Out" will include this amount in LBPD's attempt for reconciliation. SSLE will forward the OIG/Auditors information to LBPD to provide a response.	Metro calculated an overbill of 12,295.27. This amount will be pursued in contract "Close Out" in LBPD's attempt for reconciliation.
13	LBPD should provide Metro with adequate documentation to support ODC billings included above. Supporting documentation should include third party invoices, CPA audit reports, or the City of Long Beach Cost Allocation Plan. Metro's SSLE Department should also ensure LBPD's ODC billings are adequately supported before approving the invoices for payment. If LBPD will not provide the supporting documentation, then Metro should seek a refund of that amount.	Disagree	N/A	LBPD provided a response to this matter in the initial audit, finding 22. Their response is as follows: LBPD has consistently used the same documentation format across all billing cycles, and no concerns were brought to our attention regarding its sufficiency until this audit. For Body Worn Camera (BWC) support, licensing, archiving, and redaction costs, LBPD maintains vendor invoices on file that directly substantiate the amounts billed to Metro. These invoices were maintained as part of our standard internal documentation procedures and were available to support the costs submitted to Metro. With regard to Fleet Services and Technology Costs, these services are provided by other City of Long Beach departments through established interdepartmental cost recovery processes. In accordance with our internal cost recovery procedures, we included detailed summary tables in each billing packet to reflect these costs associated with these internal services. These summaries were designed to provide clear and transparent support for the charges billed. Given that Metro did not dispute this position, Metro respectfully disagrees with OIG's assertion that the billed services are unsupported.	This response reaffirms LBPD's position as stated in the initial audit (Finding 22) and reflects no change. LBPD has consistently used the same documentation format across all billing cycles, and no concerns regarding its sufficiency were raised prior to this audit. For Body Worn Camera (BWC) support, licensing, archiving, and redaction costs, LBPD maintains vendor invoices on file that substantiate the amounts billed to Metro and were available in accordance with standard internal documentation procedures. Fleet Services and Technology costs are provided through established interdepartmental cost recovery processes with other City of Long Beach departments. Consistent with internal procedures, detailed summary tables were included in each billing packet to support these charges.