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Metropolitan Transportation Authority

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

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

Dear Mr. Balian:

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

A. Matters Related to Compliance

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

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

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

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

   Suggestion A2. The Gold Line should ensure that all employees, officers, and Board Members obtain written approval on the "Travel Authorization Form" prior to any travel per the Authority policy. Also, CEO and Board members should obtain written approval from the Board Chair, and the Chair should obtain written approval from the Board Vice-Chair. This approval hierarchy should be included in the travel policies.

B. Opportunities to Improve Policies

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

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

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

2. **Per Diem**. The Gold Line travel policies do not require the use of Government per diem rates. We surveyed 12 Government entities (including 8 transit agencies) to determine best practices. We found that the best practice is to use Government per diem rates (IRS or U.S. General Services Administration).

   a. Lodging Per Diem Rates. Our review of lodging expenses showed that Gold Line travelers stayed at hotels costing \$380 to \$469 per night before taxes during travel to Washington, DC in 2011, which was not prohibited by Authority policy at the time of travel. The maximum Government lodging rate for Washington, DC is \$226. Subsequent to the above travel in November 2011, the Gold Line revised the travel policy to state: "*Hotel shall be a business class hotel comparable to major brands such as Hyatt, Hilton and Marriott…*"

   b. Meals and Incidentals Per Diem Rates. The Gold Line's current travel policy states that meal expenses for breakfast, lunch, dinner, and incidentals will be reimbursed at a rate not to exceed \$90 per day. This rate exceeds the highest Government per diem rate of \$71 for meals and incidentals.

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

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

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

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

4. **Corporate Credit Card**. The Gold Line issued corporate United Mileages Plus credit cards to authorized users. During our review we noted the following matters related to the corporate credit card.

   a. Inappropriate Items Charged to Corporate Credit Card. We found that several inappropriate expenses were charged to the Gold Line-issued credit cards. These expense were for movies during hotel stays, alcoholic beverages, and airfare for a family member. Although users immediately reimbursed the Gold Line for these personal expenses, these types of expenses should have been paid with personal funds or personal credit cards. Subsequently in November 2011, the Gold Line revised its Credit Card Use policy to state that, "*users agree not to purchase the following with the procurement card: personal service; amusement and entertainment services; alcoholic beverages; and other supplies or services as prohibited by law.*"

   b. Policy on Rewards. There were no procedures for requiring that the mileage earned from the Gold Line corporate credit cards be used for Gold Line business. According to the United Mileage Plus credit card website, the users earn 2 miles per $1 spent on tickets purchased from United or Continental and 1 mile per $1 spent on all other purchases. Gold Line officials stated that mileage has not been redeemed for personal reason. Gold Line staff contacted the credit card company to return the mileage balance on the corporate credit card, but they were advised that they could not return the miles. Subsequently, in October 2011, a Gold Line employee paid the Authority $1,400 for the miles he accumulated while using the corporate credit card. The Authority discontinued the United Mileage Plus credit cards in January 2012.

c. Late Payments. We found that in 2011 the Authority incurred interest penalties totaling $583 on past due credit card balances. This occurred because procedures required two Board member signatures on the Gold Line checks. The Gold Line staff stated that Board members are not available on a daily basis, and they held the payment checks until the next Board meeting. Subsequently, the Gold Line changed procedures and is now sending the checks to Board members for signature.

d. Annual Credit Card Fee. We found that the credit card company charged $75 per year annual usage fee for the main card and $25 per year annual usage fee for each additional user of the United Mileages Plus credit cards. In 2011, the credit card company charged annual fees totaling $225. These fees can be avoided by using "no fee" credit cards. In early 2012, the Gold Line discontinued use of the United Mileages Plus credit cards and began using a no-fee corporate credit card.

Suggestion B3. The Gold Line should:

a. Revise the credit card policy to prohibit card users from using the Gold Line's corporate credit card for personal expense items. Non-business expenses should be paid for with personal funds or personal credit cards. If personal items are included on the hotel bill, prior arrangement before check out should be set by the traveler to pay these personal items separately.

b. Develop and implement a policy that prohibits employees from personal gain from merchant rewards, rebates, and gifts. Any such rewards, rebates, or gifts should become the property of the Authority if they were earned from business expenses of the Authority.

c. Ensure that corporate credit card statement balances are paid on time to avoid late payment charges.

C. Opportunities to Increase Transparency on Public Website

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

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

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

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

Sincerely,

Karen Gorman
Acting Inspector General

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