Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit of
Miscellaneous Expenses
July 1, 2025 to September 30, 2025

Report No. 26-AUD-08 **June 5, 2026**

Metro

TABLE OF CONTENTS

INTRODUCTION 1

OBJECTIVES, METHODOLOGY, AND SCOPE OF AUDIT 1

BACKGROUND 2

RESULT OF AUDIT 3

OBSERVATIONS 4

1. Missing Receipt on Travel and Business Expense Report (TBE) 4
2. International Travel 5

COMPARISONS WITH PRIOR PERIODS 5

CONCLUSION 9

RECOMMENDATION 10

MANAGEMENT COMMENTS TO RECOMMENDATIONS 10

OIG EVALUATION OF MANAGEMENT RESPONSES 10

ATTACHMENTS 11

A. Summary of Sampled Expenses Audited 11
B. Management Comments to Draft Report 12
C. Final Report Distribution 13

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DATE: June 5, 2026

TO: Metro Board of Directors
Metro Chief Executive Officer

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

Yvonne Zheng

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Date: 2026.06.05 11:33:22 -07'00'

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2025, to September 30, 2025 (Report No. 26-AUD-08)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1 to September 30, 2025. 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 noted the following issue with one of the sampled expenses reviewed:

- Clarification needed over mandatory fees associated with travel lodging

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 Accounting, Program Management, Talent Development, Transit Security, Workforce Services, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of July 1 to September 30, 2025. For this period, miscellaneous expenses totaled $4,549,821[1] with 536 transactions. We selected fifty (50) expense transactions totaling $2,752,536 for detail testing. Thirty (30) of the expense transactions were randomly selected, six (6) were selected due to their large dollar amounts, six (6) were selected due to their unique nature, and eight (8) were selected to add more samples from account number 50917 (Business Travel). See Attachment A for details.

This audit also covered a review of international travel expenses for the period of July 1 to September 30, 2025. We identified eight (8) employees/board members that traveled internationally at a cost of $15,766.

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.

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

RESULT OF AUDIT

Our audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted the Business Travel Guidelines Policy (GEN 65) does not address whether mandatory fees associated with travel lodging should be counted towards the daily lodging per diem rates maximum allowance submitted for reimbursement.

During our review, we examined the Travel and Business Expense Report (TBE) submitted in June 2025 by an employee in Inventory Management for travel between June 15-19, 2025. This expense was for attendance in Technical User Forum sessions at a conference in Las Vegas, NV. We noted the expenses for lodging were more than the allowable GSA Daily Lodging Rates for this period and location. When the mandatory resort fee was combined with the daily lodging rate, the total amount exceeded the allowable GSA daily lodging rates. A justification memo for expenses over the allowable rate was not submitted.

Federal Travel Regulation (Bulletin FTR 19-04) issued by the U.S. General Services Administration (GSA) on February 1, 2019 states:

> *Conventional lodging properties, especially those in popular tourist areas, are increasingly charging fees variously termed "resort fees," "amenity fees," "urban destination fees," "facilities fees" and "daily destination fees," among others. Agencies should review these fees and see what they include before authorizing reimbursement, as they can vary from simply covering internet access to including items that may be considered gifts, like tours or tickets. If authorized, these fees can be reimbursed as a miscellaneous expense.* Furthermore, the bulletin states: *Agencies should apply the "prudent person" requirement as outlined in FTR § 301-2.3 in determining reasonability of any fees at both conventional and nonconventional lodging properties.*

Our review of Federal Travel Regulation (Bulletin FTR 19-04) found that certain fees associated with lodging may be treated as miscellaneous travel expenses and reimbursed upon determination that the fees are reasonable. Therefore, these fees may be excluded in the GSA daily lodging rates.

There is currently no specific language on Metro's Business Travel Guidelines (GEN 65) addressing whether such fees should be included in the lodging dollar limit that can be claimed for lodging.

It is important to have clear guidance on whether fees associated with lodging are included in the calculation of the allowable lodging per diem limit because these fees are often unavoidable charges associated with the cost of lodging. Without clear policy language, traveling employees and approving officials may interpret the per diem limit differently, which can lead to inconsistent expense reporting and reimbursement disputes. Clear policy language regarding the treatment of such fees would ensure consistent application of lodging per diem limits, strengthen internal controls, and support compliance with established travel guidelines.

When we inquired with the employee if a justification memo for lodging expenses over the allowable per diem rate was submitted, she said that the hotel reservation was within the GSA lodging dollar threshold and her travel expense report was already approved.

Recommendation:

Chief People Office (Administration Support & Workforce Data)

- Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

- Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

OBSERVATIONS

1. Missing Receipt on Travel and Business Expense Report (TBE)

During our review, we examined the Travel and Business Expense Report (TBE) submitted in August 2025 by an employee in Program Management for travel between June 9-11, 2025. This expense was for participation in an advisory board at a Sustainability Summit in Chicago, IL. We noticed that supporting documentation for one of the expenses listed on the TBE was not included.

Metro Business Travel Guidelines (GEN 65) 2.1 states:

> *The traveler must submit an electronic, new and completed TA Request with all applicable information and documents required on the Travel Authorization Checklist for each individual trip. LACMTA cannot approve blanket authorization to travel.*

The Administrator will only issue a Travel Authorization Number once a completed TA Request with all required documents has been received with all electronic workflow approvals.

It is important for TBEs to be completed and supported with all required documentation because they ensure compliance with internal policies while also promoting transparency, accountability, and sound internal controls. Proper documentation verifies that expenses were actually incurred, are business-related, and are accurate, which helps prevent fraud, duplicate payments, and misuse of funds. Complete reports also support accurate financial reporting, facilitate timely reimbursement, and protect the employee from questioned or disallowed costs during internal or external reviews.

When we brought this issue to the attention of the employee, he said that this TBE had been reviewed and approved by Workforce Services. When we inquired Workforce Services about this issue, they subsequently provided the receipt for the expense in question. Given the high volume of Travel and Business Expense (TBE) reports processed on a regular basis, it is understandable that occasional instances of missing supporting documentation may occur.

Management should continue to exercise due diligence during the review and approval process to ensure that all required supporting documentation is obtained, verified, and properly retained in accordance with established policies and recordkeeping requirements.

2. International Travel

During our review of miscellaneous expenses for the period of July to September 2025, we identified 8 international travelers at a cost of $15,766.

- Three deputy chief operations officers and a chief operations officer attended the International Association of Public Transport (UITP) Conference in Hamburg, Germany.
- A senior manager attended HR5000 Carshell supplier pre-inspection visits at various supplier facilities in Seoul and Changwon, Korea.
- A senior transportation planner attended the 2025 Women's Transportation Seminar (WTS) International Annual Conference in Toronto, Canada.
- A deputy executive officer attended the Smart Cities & Mobility Trade Mission In Helsinki, Finland and surrounding cities.
- A chief innovation officer traveled to Milan, Italy to study the city's preparations for the 2026 Winter Olympics.

Our review found international travel expenses were charged in accordance with Metro's Business Travel Guidelines (GEN 65).

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 (FY26 Q1) versus Prior Quarter (FY25 Q4) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter totaled $4,549,821, a 17% decrease in expenses compared to the fourth quarter in FY 2025. This was mainly due to a decrease in advertising and business travel expenses. Account 50999 (MISC – EXPENSES – OTHERS) for this current quarter totaled $3,398,218 and, $3,050,167 for the fourth quarter of last fiscal year resulting in a $348,051 (11%) increase in spending. See Table 1 below.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Jul-Sep 2025	Apr -Jun 2025	Increase (Decrease)
Advertising	$ 423,111	$ 1,295,974	$ (872,862)
Business Meals	126,739	288,963	(162,224)
Business Travel	102,314	391,590	(289,276)
Corporate Membership	313,870	140,108	173,762
Employee Relocation	0	1,655	(1,655)
Employee Activities and Recreation	0	23,042	(23,042)
Professional Membership	9,772	19,052	(9,280)
Seminar and Conference Fee	108,795	207,733	(98,938)
Miscellaneous (50999) *	3,398,218	3,050,167	348,051
Others (Mileage and Parking, etc.)	67,001	35,423	31,578
Total	**$ 4,549,821**	**$ 5,453,707**	**$ (903,886)**
Decrease over prior quarter			**(17%)**

** 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)*

The dollar amounts for July - September 2025 have been rounded to the nearest whole dollar.

2. Reviewed Quarter (FY26 Q1) versus Same Quarter of Prior Year (FY25 Q1) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter increased by $1,468,240 or 48% as compared to the same quarter of FY25. This was mainly due to an increase in Account 50999 (Miscellaneous Expenses - Others). See Table 2 below.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Jul-Sep 2025	Jul-Sep 2024	Increase (Decrease)
Advertising	$ 423,111	$1,634,510	$(1,211,399)
Business Meals	126,739	161,931	(35,192)
Business Travel	102,314	139,264	(36,950)
Corporate Membership	313,870	398,633	(84,763)
Employee Relocation	0	0	0
Employee Activities and Recreation	0	0	0
Professional Membership	9,772	18,501	(8,729)
Seminar and Conference Fee	108,795	53,777	55,018
Miscellaneous (50999) *	3,398,218	664,050	2,734,168
Others (Mileage and Parking, etc.)	67,001	10,915	56,086
Total	**$4,549,821**	**$3,081,581**	**$ 1,468,240**
Increase Over Same Quarter of Prior Year			**48%**

3. October 2024 to September 2025 versus October 2023 to September 2024

Miscellaneous expenses for the period October 2024 to September 2025 totaled $14,846,447, a 24% increase from the period October 2023 to September 2024, where expenses totaled $11,962,228. In the fourth quarter of each fiscal year, April to June, Metro's expenses were the highest. (In the fourth quarters of Fiscal Years 2024 and 2025, miscellaneous expenses totaled approximately $4.2 million and $5.5 million respectively. (See Figure 1).

Figure 1: Miscellaneous Expenses per Quarter
October 2024 to September 2025 versus October 2023 to September 2024

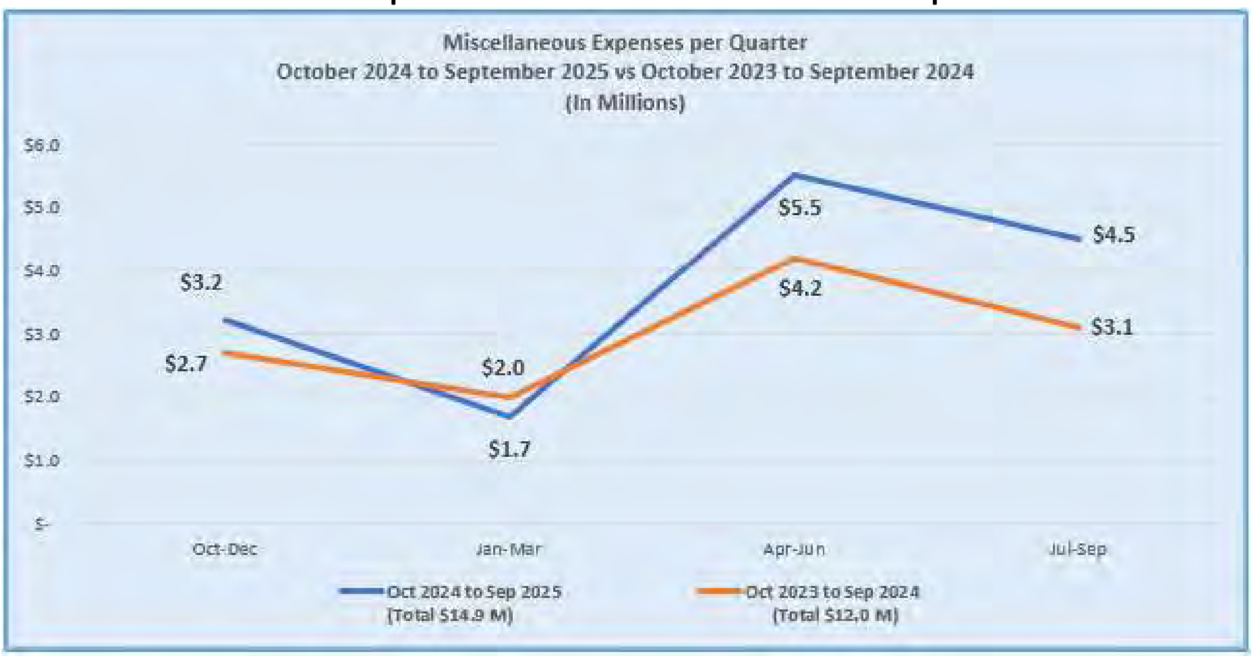
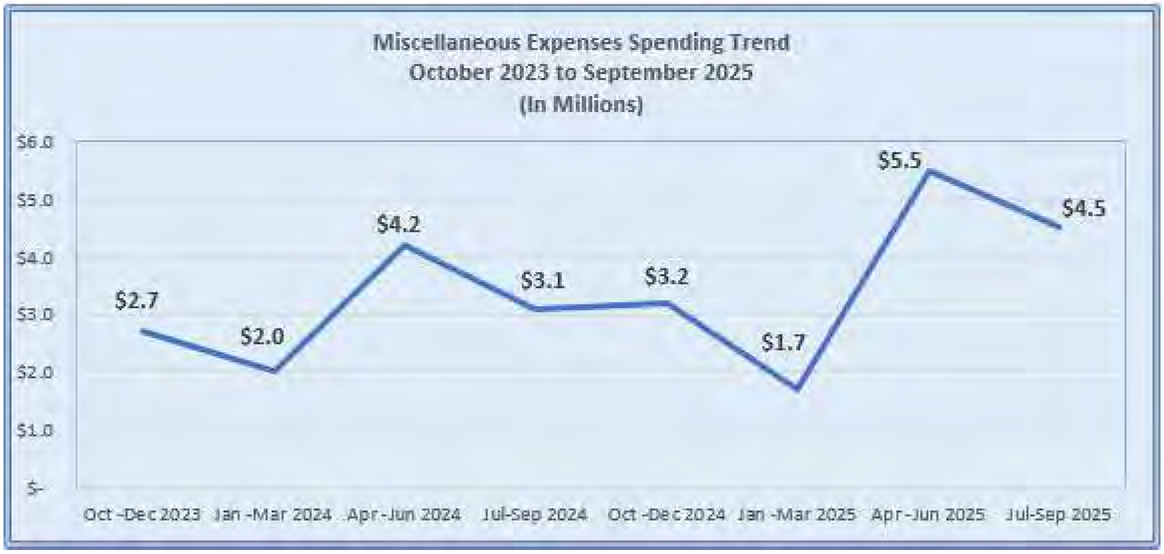


Figure 2 shows the spending trend for miscellaneous expenses for the last two years.

Figure 2: Miscellaneous Expenses Spending Trend
October 2023 to September 2025 (FY24 - FY26)



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. The decrease in spending this quarter was primarily attributable to reduced expenditures in advertising.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2025, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found that clarification is needed over mandatory fees associated with travel lodging.

RECOMMENDATION

We recommend:

Chief People Office (Administration Support & Workforce Data)

1. Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

2. Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 8, 2026, we provided Metro Management with our draft report. By May 13, 2026, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSES

Metro Management corrective actions are responsive to the recommendations in this report. In August 2026 we will confirm that language pertaining to mandatory fees has been added to Business Travel Guidelines Policy (GEN 65).

Summary of Samples Expenses Audited

Account	Account Description	Audit Population		Sample Amount
50213	Training Program	$ 58,163		$21,533
50903	Business Meals	126,739		23,028
50905	Corporate Membership	313,870		162,750
50908	Employee Relocation <a>	0		0
50910	Mileage and Parking	8,839		4,152
50912	Professional Membership	9,772		2,352
50914	Schedule Checkers Travel <a>	0		0
50915	Seminar and Conference Fee	108,795		16,422
50917	Business Travel International Travel	102,314		18,924 15,766
50918	Advertising	423,111		170,064
50930	Employee Activities & Recreation <a>	0		0
50999	Other Miscellaneous Expenses	3,398,218		2,333,312
	Total	**$4,549,821**	<b>	**$2,752,536**

<a> No expenses incurred for this quarter.

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

Chief People Office

Metro Interoffice Memo

Date	May 12, 2026
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-08

Thank you for the opportunity to respond to the findings and recommendations in the draft report (Audit Report No. 26-AUD-08, Statutorily Mandated Audit of Miscellaneous Expenses, July 1, 2025, to September 30, 2025). Please see our responses below to the recommendations pertaining to the Chief People Office.

Recommendations

1. Include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.

1. **Response:** Staff concur with the recommendation and will update GEN 65 policy to include recommended language that states "mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging".

   Completion Date: July 31, 2026

2. Instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.

   Response: Staff concur with the recommendation and will communicate during trainings and will include in travel checklist the importance of lodging expenses that may exceed allowable GSA rates may require over lodging approval. Will also clarify that "mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging".

   Completion Date: July 31, 2026

Final Report Distribution

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