

**Metro**

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Metropolitan Transportation Authority

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**EXECUTIVE MANAGEMENT COMMITTEE**  
**November 21, 2013**

**SUBJECT: OFFICE OF THE INSPECTOR GENERAL ACTIVITIES REPORT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file this Office of the Inspector General (OIG) Activities Report.

**ISSUE**

The OIG reports periodically on its activities. This report covers the OIG activities for Fiscal Year (FY) 2013.

**DISCUSSION**

1. During FY 2013, the Investigations Unit opened 72 matters and completed 77 matters. The 72 matters opened consisted of 36 investigations, 24 multi-site reviews (bus safety and compliance checks), 7 reviews, 1 inquiry that was referred to Metro, and 4 requests for investigative assistance services. During the year, we also issued 26 confidential investigative reports to Metro management. A summary of a few of the investigative reports follows:

a. Misappropriation of Funds by an Outside Defense Attorney

Our investigation found that an outside defense counsel stole \$2.5 million from Metro. We submitted an investigation summary outlining potential fraudulent activity by the outside defense counsel to the Los Angeles County District Attorney's Office. On June 20, 2013, the outside counsel was arrested and charged with 11 felony counts of grand theft and forgery. Our report to Metro made recommendations to improve controls to preclude recurrence of this type of fraudulent activity.

b. Review of Expo/Blue Line Junction

Our review of certain construction matters associated with the Exposition Metro Line Construction Authority (Expo) found that:

- Metro, Expo, and California Public Utilities Commission (CPUC) worked together to monitor and resolve a problem concerning excessive wear in one area of the special trackwork of the junction.
- Expo made modifications to the special trackwork area; and Metro personnel made frequent inspections to ensure safety.
- The modifications did not permanently fix the problem.
- A rail track expert was hired to recommend a permanent solution to the high maintenance area.
- The track expert issued a report that contained three options to fix the problem at the junction.

c. Follow-Up Review of Expo/Blue Line Junction

We followed up on actions subsequent to our initial report on matters concerning the Expo/Blue Line junction. Our follow-up review found that the special trackwork at the junction was repaired by utilizing the most highly recommended option proposed by the track expert. Subsequent tests indicated that the problem is fixed.

d. Theft of Revenue from a Contract Bus Operator

Our investigation found that over a 2-year period, \$118,000 of bus revenue was lost during the tenure of two contract bus service providers. When confronted with the evidence from our investigation, a MV Transportation mechanic admitted to stealing money from the bus fareboxes. We referred this matter to the Los Angeles County Sheriff's Department. On April 30, 2013, the mechanic was convicted of grand theft. Our report contained recommendations to improve the security over fare revenue. Metro lost no funds because the contractor had to make up the loss to Metro.

e. Matters Pertaining to the I-405 Sepulveda Pass Widening Project

We initiated reviews into four matters concerning allegations and/or issues pertaining to the I-405 Sepulveda Pass Widening Project.

- Self-reporting by the contractor (Kiewit) of improper construction practices of some employees. We found that Kiewit (1) identified and voluntarily reported to Metro improper installation of inspection rods in the mechanically stabilized earth (MSE) retaining walls along the I-405 Project, (2) removed the employees responsible for the improper installation of the inspection rods, and (3) deconstructed and rebuilt the suspect MSE walls at its expense.
- Collapse of a MSE retaining wall. We found that the collapse of the retaining wall was related to excessive bending of metal straps used in constructing the MSE walls. Kiewit terminated its contract with the designer/fabricator of the wall panels, deconstructed the MSE walls, and rebuilt them with panels from another company at its expense.

- Alleged falsification of concrete test results. Our investigation did not find evidence to substantiate the allegation. Independent laboratory tests of duplicate concrete cylinders found they met specifications. In addition, an independent engineering quality assurance and quality control firm found that the contractor's laboratory testing procedures and calculations were satisfactory.
- Alleged defective construction due to improper drainage installation. We did not find evidence to substantiate the allegation. According to Caltrans officials, the MSE wall under-drains were built in compliance with approved Caltrans drawings.

f. Metro Employees Engaged in Outside Law Practice

Our investigation found that two Metro employees who operated an outside law practice did not obtain prior written approval from their current supervisor to engage in outside employment as required by the Metro policy. The first employee used Metro assets (including Metro time, email, computer, and internet services) for his law practice. The second employee did not use his Metro email account for his law practice. However, he did use Metro assets including time, computer, and internet services for his outside law practice, but to a lesser degree than the first employee. These employees were disciplined.

g. Alleged Improper Use of Contractor-Provided Vehicles

Our investigation found that nine Metro employees, used contractor leased vehicles (which was charged back to Metro) to commute to and from their residence to their worksite. Under this circumstance, the IRS requires employers to report a taxable benefit for the employee. This might also constitute an impermissible gift or income. Based on our investigation, Metro employee use of these vehicles ceased. Also, Metro policy was changed to include employees who use contractor-provided vehicles to comply with the IRS rules.

h. Investigation of Corrupted Video from Blue Line Rail Incident

We investigated the absence of video recordings related to a Metro Blue Line train collision with a pedestrian. We reviewed video from the cameras on the lead car and found 5 recording gaps or skips where no recordings were available for several minutes, which included the time of the incident. Our analysis of the video recordings indicates there was an unforeseen equipment failure with the digital video recorder hard drive. Our report made recommendations to improve the reliability of the video recording equipment.

2. During FY 2013, the Audit Unit completed 13 audit reports. A summary of certain audits follows:

a. Review of Metro's TAP Program

The Metro Board directed the OIG to hire a consultant to review the TAP Program. The key conclusions of the review are:

- Most of the growth in the cost of the TAP Program is due to increases to the original scope of work.
- A majority of the original business objectives and functionalities of the TAP Program have been implemented and are operational.
- The expectation of regional integration has been partially implemented with 9 transit operators currently integrated and the remaining 15 operators recently signing letters of intent to implement TAP.
- Expenditures tested under TAP contracts were allowable and appropriate.
- The proposed reorganization of the TAP office and plans to replace consultants with Metro employees, transition temporary employees to full-time employees, and augment current staff are reasonable to move forward with.

TAP Program Management agreed with the 30 recommendations in the report and agreed to initiate corrective actions.

b. Review of the I-405 Sepulveda Pass Widening Project Community Claims Process

The OIG conducted an independent review of the I-405 Sepulveda Pass Widening Project community claims process. We issued a report to the Board that included 19 recommendations to improve the effectiveness of the claims process in regards to claims information, processing time, investigative process, communication with claimants, and contractor/subcontractor oversight.

Kiewit and Metro initiated actions to implement the recommendations in our report that included developing written policies and procedures, establishing an independent claims appeals process, and conducting monthly meetings with Metro on the status of claims. Kiewit has hired a new claims manager to review all claims and handle future claims. Also, a committee of employees reporting to various Metro departments is developing appropriate language to include in future capital improvement contracts to require best practices in processing community claims.

c. Bus Operator Safety and Compliance Checks

We continue to perform undercover observations of bus operator performance to monitor and confirm bus operator compliance with safety and customer service policies. Our quarterly evaluations of bus operator performance (one quarterly review covered contract bus operations) found that most operators performed their

duties in accordance with Metro policies and rules, in some instances in a commendable manner. We found that some operators did not adhere to the Operator's Rulebook requirements; however, the number of violations has decreased over time.

d. Statutorily Mandated Audit of Miscellaneous Expenses

Pursuant to the Public Utilities Code, we completed four quarterly audits of miscellaneous expenses such as travel, meals and refreshments, private club dues, and membership fees. The audits found that most of the expenses reviewed complied with Metro policies. However, one of these audits found that schedule checkers received mileage payments although they did not use their personal vehicles. Metro informed the union that schedule checkers will be required to maintain a log and will be reimbursed for mileage as required of all Metro employees under the Metro policy.

3. On June 27, 2013, the Board instructed the OIG to hire a consultant to audit the contract with the LASD. We reviewed the current contract, interviewed Metro and LASD officials, reviewed applicable documents and reports, and prepared a detail statement of work. Bazilio Cobb Associates was selected to conduct the review. The consultants began the review on September 18 and anticipate completing the review by the end of January 2014.

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