

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
April 1, 2018 to June 30, 2018**

Report No. 19-AUD-06

March 26, 2019



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
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DATE: March 26, 2019

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
From April 1, 2018 to June 30, 2018 (Report No. 19-AUD-06)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2018 to June 30, 2018. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) including its Board of Directors 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 adequately supported by required documents. However, for 3 of the 59 expenses reviewed, certain requirements were not followed:

- An American Passenger Transportation Association (APTA) registration fee was inappropriately paid by a corporate purchase card rather than by the required prepaid account.
- An employee was overpaid for lodging expenses.
- A Purchase Card log was submitted significantly late.

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 approvals, receipts, and other supporting documentation.
- Policies and procedures are adequate to ensure that expenses are documented and properly accounted for.

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

- Obtained and reviewed applicable policies and procedures;
- Inquired personnel in the Accounting Department, Purchase Card Program staff, and Travel Program Administrator; and
- Reviewed a sample of expenses for the period of April 1, 2018 to June 30, 2018 to determine if they were reasonable, properly approved, and supported by required documentation (i.e. invoices, receipts, and justification memos).

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2018 to June 30, 2018. For this period, miscellaneous expenses totaled \$3,644,674¹. We selected 59 expense transactions totaling \$823,970 for detail testing. Forty-four of the expense transactions were randomly selected, 10 were judgmentally selected from Purchase Card transactions, and the remaining 5 were judgmentally selected due to their large dollar amount. See Attachment A for details.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions 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 policies, procedures, or guidelines. The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payments for miscellaneous expenses.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable and adequately supported by required documents. However, we found that requirements were not followed for three of the expense transactions.

¹ This total does not include transactions that were \$200 or less, offsetting credits, and transactions from the OIG and Ethics Departments.

1. APTA Registration Fee Paid by Purchase Card

We found that a purchase cardholder in the Workforce Services group of the Human Capital & Development Department used a purchase card to pay for an APTA registration fee in the amount of \$885 instead of using the Metro's prepaid account as required by FIN 14 and ACC-16.

Metro's Travel and Business Expense Policy (Fin 14 – Section 1.1.11) states: *“All registration fees are paid by completing a Check Request or through a company issued Purchase Card (P-Card), with the exception of APTA conferences. Registration fees for APTA conferences are deducted from Metro's prepaid account.”*

In addition, Metro's Accounting Policy ACC-16 (APTA Deposit and Replenishments) provides step-by-step procedures for how to register for an APTA event. When a Metro employee registers for an APTA event, he/she should use Metro's APTA membership number to pay for the registration through the prepaid account. Accounting staff advised us that the requesting department's budget is ultimately charged for the APTA registration fees. The policy also states that the prepaid account provides information on who may attend APTA events and helps ensure that any discounts are taken.

The Department's Senior Administrative Analyst stated that she did not find that charging an APTA registration fee on a purchase card is a prohibited item pursuant to Metro's Purchase Card Policy. She and her supervisor were unaware of the prepaid account. We provided her with a copy of FIN 14 that includes the requirement to purchase through the prepaid account and the Accounting Department provided her a copy of Policy ACC-16 as a reference for future APTA registrations. We also sent the approving official an email advising her of the prepaid account.

Using other methods to pay registration fees instead of using required Metro's prepaid account could potentially result in a duplicate payment to APTA for the same event and not utilizing our available discount. We reported a similar issue in a prior audit report² that another Metro department used a P-Card to pay for an APTA registration. Accounting advised the OIG that when they receive the monthly statement from APTA that documents the fees deducted from the prepaid account for each employee listed on the statement, they obtain and review the related travel and business expense documents to verify that no registration fees are on the employee's Travel and Business Expense report for reimbursement for the APTA event. Accounting informed us that this procedure is done to prevent duplicate payments.

2. Overpayment of Travel Expense to an Employee

Our review found that an employee in Metro's Program Management Department was overpaid \$491.98 on her Travel and Business Expense Report (TBE Form). This employee was paid for her travel expense without deducting \$491.98 of lodging expense paid by Metro's Travel Department Credit Card. We searched Metro's Financial Information System (FIS) and did not find any other payment or credit to this employee.

² Report No 19-AUD-02: Statutorily Mandated Audit of Miscellaneous Expense for the Period July 1, 2017 to September 30, 2017, November 21, 2018

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FIN 14 Section 1.2.1 states, “Expenses incurred while on authorized travel must be reported and reconciled on a Travel and Business Expense Report (TBE Form ACCT-501). The TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement. The Travel Program Administrator will verify completeness of documentation and accuracy of calculation, and then forward the TBE Report to Accounting for processing.”

FIN 14 Section 1.2.5 states, “Traveler shall total the expense columns across and down and complete the “Less Prepaid” section for items paid in advance by LACMTA (such as airfare and registration).”

Metro’s Travel Coordinator acknowledged that this was an oversight. An Accounting Manager in the Accounting Department emailed the employee to request reimbursement of this amount from her. Both Accounting Department and Travel Coordinator have been notified about this matter and the employee has reimbursed Metro for this overpayment as of the date of this report.

3. Purchase Card Log Was Late

We found a purchase cardholder submitted a purchase card log 10 months late. The purchase card log, with the signed/approved monthly card statement, should have been submitted to Accounting in August 2017; however, Accounting did not receive these documents until June 2018.

Cardholders are required to complete a Monthly Purchase Card Log of purchases made on the P-Cards and attach the supporting receipts. The documents should be reviewed and signed by the Approval official and submitted to Accounts Payable for reconciliation. Completing this log is important because it ensures that:

- all purchases on the monthly P-Card log are reconciled to the receipts and each transaction is supported,
- all purchases on the monthly P-Card log are reconciled to the credit card statement for accuracy, and
- credits, credit card statement errors, or disputed items are identified in a timely manner.

The P-Card policy requires Cardholders to submit their Monthly Purchase Card Logs to their Approving Official within five working days of receipts of the credit card statement. By the 15th of the following month, the P-Card log is required to be submitted to the Accounting for reconciliation.

We reported similar issues in a prior audit report³ that Accounts Payable staff were not sending out required monthly reminder emails to delinquent Cardholders or notifying the Agency Program Coordinator of the delinquent logs due to lack of resources. The Executive Officer, Finance/Controller,

³ Report No 18-AUD-06: Statutorily Mandated Audit of Miscellaneous Expense for the Period April 1, 2017 to June 30, 2017, June 29, 2018.

and Accounting Manager reported that as of July 2018 they have addressed the issue and are sending out the reminders monthly.

CONCLUSION

We found that Metro miscellaneous expenses reviewed for the period of April 1, 2018 to June 30, 2018 generally complied with policies, and were reasonable and adequately supported with required documents. However, for some of the expenses reviewed, requirements were not followed concerning (1) paying for APTA registration through the prepaid account, (2) reconciliation and verification on accuracy of TBE calculation, and (3) timely submission of a P-Card log.

RECOMMENDATIONS

We recommend:

1. The Administration and Policy group in the Procurement Department should continue their efforts in ensuring that the APTA prepaid account is used, rather than paying APTA registration fee with the P-Cards. Procurement should consider adding payment of APTA registrations to the prohibited uses list for P-Cards on their web page.
2. The Travel Coordinator in the General Service Department should continue efforts in reconciling expenses to the pre-payments by the Travel Department using their credit card to ensure that TBEs are accurate, complete and within applicable policies.
3. The Accounting Department should continue to send out the monthly reminder to Departments with delinquent P-Card logs.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On February 26, 2019, we provided Metro Management a draft report. On March 8, 2019, management completed a response that agreed with the recommendations in the report (see Attachment B).

OIG EVALUATION OF MANAGEMENT RESPONSE

Management's proposed corrective actions are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken or planned.

**Summary of Sampled Expenses Audited
For the Period from April 1, 2018 to June 30, 2018**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 46,567	\$ 4,619
50903	Business Meals	69,556	296
50905	Corporate Membership	105,020	0
50908	Employee Relocation	12,102	0
50910	ER Mileage / Parking	4,915	0
50912	Professional Membership	25,515	1,750
50914	Schedule Checkers	3,075	0
50915	Seminar and Conference Fee	223,762	8,578
50917	Business Travel	872,813	21,531
50918	Advertising	1,637,578	546,417
50930	Employee Activities and Recreation	5,757	0
50999	Other Miscellaneous Expenses	<u>\$ 638,014</u>	<u>\$ 240,779</u>
	<i>Totals</i>	<u>\$3,644,674</u>	<u>\$ 823,970</u>

Copy of Management Comments to Draft Report



Metro

Interoffice Memo

Date	March 8, 2019
To	Yvonne Zheng Senior Manager, Audit, Office of Inspector General
From	Jesse Soto  Executive Officer, Finance/Controller, Accounting
	Steve Jaffe  DEO, General Services
	Raul Perez  DEO, Procurement ADMIN & Policy
Subject	Draft report: Statutorily Mandated Audit of Miscellaneous Expense (Report No. 19-AUD-06)

OVERVIEW

We have reviewed the results of the subject audit report and concur with the recommendation in the report.

We recognize that corrective action must be taken to ensure that requirements are followed when (1) paying for APTA registration through prepaid account, (2) reconciliation and verification on the accuracy of Travel and Business Expense (TBE) calculation, and (3) timely submission of P-Card Logs.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. The Administration and Policy group in the Procurement Department should continue their efforts in ensuring that APTA prepaid account is used, rather than paying APTA registration fee with the P-Cards. Procurement should consider adding payment of APTA registrations to the prohibited uses list for P-Cards on their web page.

Management Response: Agree

To ensure that the APTA prepaid account is used the P-Card Program's Restricted Commodity/Vendor Types and FAQ's and Glossary of Terms webpages and training materials have been updated to include APTA Fees as restricted/prohibited use.

Copy of Management Comments to Draft Report

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2. The Travel Coordinator in the General Services Department should continue efforts in reconciling expenses to the pre-payments by the Travel Department using their credit card to ensure that the TBEs are accurate, complete and within applicable policies.

Management Response: Agree

The Travel Program Administrator will continue to verify that lodging which has been pre-paid using the travel program credit card is not included among reimbursable expenses in a traveler's TBE. The Travel Program Administrator will also remind all travelers that expense reports are required within 30 days of travel as a means to reconcile and match TBE reports with the credit card to ensure reimbursements are correct.

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3. The Accounting Department should continue to send out the monthly reminder to Departments with delinquent P-Card logs.

Management Response: Agree

The Senior Director of Accounting will continue to ensure that monthly reminders to Departments with delinquent P-Card logs are sent.

Should you have any questions regarding the response to this report, please feel free to contact Jesse Soto, Steve Jaffe, or Raul Perez.

CC: Nalini Ahuja, Chief Financial Officer, Finance and Budget
Debra Avila, Chief Vendor Contract Management Officer
Joanne Peterson, Chief Human Capital & Development Officer
Michael Gonzales, EO Vendor Contract Support Services
Juan Cordero, Senior Director of Accounting
Juliet Glindro, Manager, Accounting

Final Report Distribution

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