

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
January 1, 2019 to March 31, 2019**

Report No. 20-AUD-03

October 30, 2019



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
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DATE: October 30, 2019

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
From January 1, 2019 to March 31, 2019 (Report No. 20-AUD-03)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2019 to March 31, 2019. 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 sponsorship expenses.

We found that the transactions reviewed generally complied with Metro policies, were reasonable and adequately supported by required documents. However, a purchase card log was submitted about two months 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,
- Reviewed Metro’s Purchase Card Procedures and Information, and
- Reviewed a sample of expenses for the period of January 1, 2019 to March 31, 2019 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 January 1, 2019 to March 31, 2019. For this period, miscellaneous expenses totaled \$3,112,675.08.¹ We selected 36 expense transactions totaling \$699,034.63 for detail testing. Thirty one of the expense transactions were randomly selected, 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.

RESULT 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 a P-Card log was submitted about two months late.

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

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P-Card Log Was Submitted Late

The P-Card policy requires cardholders to submit their Monthly Purchase Card Logs to their Approving Official within five working days of receipt of bank statement. By the 15th of the following month, the P-Card log is required to be submitted to Accounting. Failing to submit monthly P-Card logs on time violates policy and is subject to penalties, such as having the P-Card taken away. It is important that the logs are submitted timely so Accounts Payable staff can perform reviews to ensure purchases are complied with policy.

Our review of sampled transactions found that a P-Card holder from the Rail Vehicle Engineering Department received the credit card statement in November 2018 and did not turn in the P-Card log until February 2019. The card holder stated several reasons for the delay: (1) she was trying to obtain a receipt from a vendor many times, (2) the Approving Official was on business travel twice in December, and (3) there were holidays during December. Due to these factors, workloads, and oversight, the P-Card log was not submitted until February 2019.

CONCLUSION

We found that Metro miscellaneous expenses reviewed for the period of January 1, 2019 to March 31, 2019 generally complied with policies, and were reasonable and adequately supported with required documents. However, we found that a P-Card log was submitted about two months late.

RECOMMENDATION

We recommend that the Rail Vehicle Engineering Department ensure their future P-Card logs are submitted on time so that Accounts Payable staff can perform reviews to ensure purchases comply with policy.

MANAGEMENT COMMENTS TO RECOMMENDATION

On September 10, 2019, we provided Metro Management a draft report. On October 3, 2019, Operations Management completed a response that summarized corrective actions implemented (see Attachment B).

OIG EVALUATION OF MANAGEMENT RESPONSE

Management's corrective actions taken are responsive to the finding and recommendation in the report. Therefore, we consider all issues related to the recommendation resolved and closed based on the corrective actions taken.

**Summary of Sampled Expenses Audited
For the Period from January 1, 2019 to March 31, 2019**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 94,341.25	\$ 0
50903	Business Meals	32,887.47	7,404.10
50905	Corporate Membership	67,485.00	0
50908	Employee Relocation	19,186.34	0
50910	ER Mileage / Parking	2,593.08	231.66
50912	Professional Membership	13,036.00	339.00
50914	Schedule Checkers	2,266.03	0
50915	Seminar and Conference Fee	179,548.64	6,090.00
50917	Business Travel	137,790.63	8,020.60
50918	Advertising	1,680,176.11	232,482.17
50999	Other Miscellaneous Expenses	<u>\$ 883,364.53</u>	<u>\$ 444,467.10</u>
	<i>Totals</i>	<u>\$ 3,112,675.08</u>	<u>\$ 699,034.63</u>

Management Comments to Draft Report



Metro

Interoffice Memo

Date	October 3, 2019
To	Karen Gorman Inspector General
From	James T. Gallagher Chief Operations Officer JTG.
Subject	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 20- AUD-03)

Operations Management received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from January 1-March 31, 2019 in the Vehicle Engineering & Acquisition (VEA) department within Operations. The report includes the following recommendation:

1. We recommend that the Rail Vehicle Engineering Department ensure their future P-Card logs on time so that Accounts Payable (AP) staff can perform reviews to ensure purchases comply with policy.

Although there were no exceptions noted in the late P-Card Log submission found in the audit report and the VEA department demonstrated diligence in completing P-Card Logs accurately, Operations will complete the following activities, effectively immediately, to ensure future completion of all P-Card logs in a timely manner and comply with P-Card program policies:

- Conduct additional vendor outreach to obtain necessary documents required for P-Card Log/report completion
- Use of memos and the Certification of Lost Receipt Form (Attachment A) when necessary vendor invoices are not readily available and will result in late P-Card Log/report completion

CC: Jesse Soto, Executive Officer, Finance
 Nalini Ahuja, Chief Financial Officer
 Diana Estrada, Chief Auditor
 Diane Corral-Lopez, EO, Operations Administration
 Nancy Alberto-Saravia, Director, Finance & Administration
 Jesus Montes, Sr. EO, Vehicle Engineering & Acquisition
 Stephanie Kaping, Manager Administration & Finance

Management Comments to Draft Report



Metropolitan Transportation Authority

Attachment A

Metro Interoffice Memo

Date	
To	Insert Approving Official Name here Approving Official
From	"Insert Name Here" "Insert Title and Badge #"
Subject	Certification of Lost Receipt

Attach this form to the monthly statement package in lieu of a lost receipt.

I certify that the following items were ordered from:

Vendor: _____

Received on: _____

Item No.	Quantity	Description	Unit Price	Extension
Reason(s) itemized invoice/receipt was not obtained for this order (Required):			Subtotal	
			Sales Tax	
			Shipping/ Handling	
			Total	

Cardholder Signature

Date

Approving Official

Date

Final Report Distribution

Board of Directors

Kathyrn Barger
Mike Bonin
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Metro

Chief Executive Officer
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Board Secretary
Inspector General
Chief Finance Officer
Executive Officer, Finance/Controller
Chief Operations Officer
Executive Officer, Operations Administration
Director, Finance & Administration
Senior Executive Officer, Rail Vehicle Acquisition
Chief Auditor
Audit Support Manager
Manager, Records & Information Management