

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

**Audit of Metro Miscellaneous
Expense Account - 50999**

Report No. 16-AUD-06

June 1, 2016





Metro

Los Angeles County
Metropolitan Transportation Authority

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DATE: June 1, 2016

TO: Metro Chief Executive Officer
Metro Board of Directors

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

SUBJECT: Audit of Metro Miscellaneous Expense Account – 50999
Report No. 16-AUD-06

The Office of the Inspector General performed a statutorily mandated audit of Metro's Miscellaneous Expense Account.

We found that the expenses reviewed generally complied with policies, were reasonable, and were adequately supported by required documents. We noted that Metro could increase transparency and controls by creating a separate account for professional and corporate membership expenses rather than charging these membership expenses to Account 50999 and comingling them with other miscellaneous expenses such as postage, books, periodicals, and recruitment expenses. When we discussed this matter with Accounting Department officials, they agreed with our suggestion and informed us that they would most likely reactivate Accounts 50905 – Corporate Memberships and 50912 – Professional Memberships in fiscal year 2018.

If you have any questions, please contact me at (213) 244-7301.

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INTRODUCTION

The Office of the Inspector General (OIG) performed a statutorily mandated audit of expenses charged to the Miscellaneous Expense Account. This audit was performed pursuant to Public Utilities Code (“Sec. 130051.28(b)”) which requires the Inspector General to report to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on certain miscellaneous expenses such as travel, meals and refreshments, private club dues, and membership dues.

BACKGROUND

Metro’s Descriptive Chart of Accounts states that Account 50999¹ is for other miscellaneous expenses incurred that cannot be charged to a more specific account (Accounts 50901 to 50930). The Chart of Accounts identifies the following six types of expenses that can be charged to this account, but is not limited to these types of expenses:

- Books and Periodicals,
- Recruitment Expenses,
- Community Outreach,
- Postage,
- Corporate Memberships, and
- Professional Memberships.

OBJECTIVES, METHODOLOGY, AND SCOPE OF AUDIT

The objectives of this audit were to determine whether:

- Expenses charged to the Miscellaneous Expense Account 50999 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.

¹ Miscellaneous Expense (Others).

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

- Obtained and reviewed applicable policies and procedures,
- Interviewed appropriate accounting staff, and
- Reviewed expenses for the period of October 1, 2013 to December 31, 2014 to determine if they were reasonable, properly approved and supported by documentation, and in accordance with policies and procedures.

The Miscellaneous Expense Account (Others) for the period of October 1, 2013 to December 31, 2014 totaled about \$4.5 million,² which comprised of 1,348 expense transactions. From this total we randomly selected 60 transactions totaling \$113,045 for review. Nineteen (32%) of the 60 transactions randomly selected were for corporate and professional membership fees.

We reviewed 7 additional transactions totaling about \$1.3 million because they were credit amounts of high dollar value with no offsetting debit transactions. When we discussed these transactions with Accounting Department staff, they explained that administrative expenses for the Pension Fund and Other Post-Employment Benefits (OPEB) were incorrectly charged to Account 50999. In addition, investment expenses for OPEB were also incorrectly charged to Account 50999. When Accounting staff realized this error, these expenses were reclassified to the correct accounts (50399 Services – Other Services and 50316 Services – Professional and Technical Services) and that is why these large credit amounts were in Account 50999.

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.

RESULTS OF AUDIT

We found that the 60 expense transactions reviewed generally complied with policies, were reasonable, and were adequately supported by required documents. To improve on this, we noted that Metro could increase transparency and controls by creating a separate account for professional and corporate membership expenses which are currently charged to Account

² This total does not include transactions that were \$100 or less, offsetting credits, and transactions from the OIG and Ethics Departments.

50999 and comingled with other miscellaneous expenses. The reasons for this suggestion are discussed below:

- Currently the fees for these memberships are charged to Account 50999 along with other expenses such as postage, books, periodicals, and recruitment expenses. Because of this, the total amount that Metro expends on professional and corporate memberships and a list of the specific related membership fees paid are not reported separately unless a special query is run.
- The number of transactions and dollar amounts for professional and corporate memberships is significant.
 - Thirty-two percent of the transactions we reviewed were for professional and corporate membership.
 - Talent Development records showed that 317 Corporate and Professional Membership Information Forms were processed during the 9-month period July 1, 2015 to March 25, 2016. Some of these forms were for professional memberships for multiple persons on a single form (e.g., one was for 79 persons).
 - Corporate membership fees can be significant. For example, the APTA Corporate membership fee for fiscal year 2016 was \$128,358.
- Section 130051.28(b) requires the Inspector General to audit and report on certain Metro expenditures including “membership fees.” Since membership expenses are combined with other types of expenses in Account 50999, it is difficult to identify and report the total amount that Metro is spending for memberships or the specific transactions associated with memberships.
- In the past, separate accounts were maintained for Professional Memberships (50912) and Corporate Memberships (50905). However, these accounts were discontinued.

We brought this matter to the attention of Metro’s Accounting Department officials who agreed that a separate account should be established for both professional and corporate memberships. They stated that they will likely reactivate Account 50905 (Corporate Memberships) and Account 50912 (Professional Memberships) for the fiscal year 2018 budget cycle, which would provide them with time to inform users.

Final Report Distribution

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