

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
October 1, 2017 to December 31, 2017**

Report No. 19-AUD-04

November 29, 2018



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Metro


**Los Angeles County
Metropolitan Transportation Authority**

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DATE: November 29, 2018

TO: Board of Directors
Chief Executive Officer

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

SUBJECT: Statutorily Mandated Audit of Miscellaneous Expenses for the Period
October 1, 2017 to December 31, 2017 (Report No. 19-AUD-04)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of miscellaneous expenses that were processed from October 1, 2017 to December 31, 2017. We found that most of the miscellaneous expenses reviewed were properly supported and in compliance with Metro policies. However, we found that one expense was inappropriately paid by check request.

This audit was performed pursuant to California Public Utilities Code section 130051.28(b) which requires that the Inspector General report to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses including travel, training, meals, private club dues, and membership fees.

OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT

The objectives of the audit were to determine whether Metro miscellaneous expenses incurred were:

- Reasonable and in accordance with Metro policies and procedures;
- Adequately supported with receipts, proper approvals, and other appropriate documentation; and
- Charged to the appropriate account as defined in the Metro Chart of Accounts.

A total of 595 miscellaneous expenses were paid during the period October 1, 2017 through December 31, 2017, totaling \$3,431,105.¹ Of this total, we reviewed a statistical sample of 31 randomly selected expenses totaling \$51,469. See Attachment A.

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

- Obtained and reviewed Metro's policies applicable to the sample;

¹ These totals do not include transactions that were \$200 or less, credit amounts, and transactions incurred by the OIG or the Ethics Department.

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- Interviewed personnel in the Accounting Department, Revenue Collections, Purchase Card Program staff, and Travel Program Administrator;
- Reviewed Metro's Chart of Accounts;
- Examined supporting documents for payment to determine whether proper approvals were obtained, expenses were justified; and
- Reviewed a statistical sample of all expenses and supporting documents such as receipts, monthly Purchase Card Logs, Travel and Business Expense (T&BE) Reports, Travel Request/Authorization Forms, monthly purchase card statements, and other documents supporting the expenses.

The 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions according to the audit objectives.

BACKGROUND

Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System. Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards (P-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

Our audit found that all 31 statistically sampled expenses from Metro miscellaneous expense accounts were adequately supported by invoices or receipts and proper approvals. However, we found one expense was paid by a check request, which was unallowable for that type of expense.

Training Facilitator Services Paid by Check Request

One of the expenses selected in our random sample was a check request in the amount of \$1,800 for the services of a training facilitator to provide coaching and counseling sessions for "Revenue Department Team Building". However, Accounting Policy ACC-01, *Accounting Procedures & Guidelines – Check Requests*, Section 1.2, specifically states that paying "training facilitators" by check requests is an unacceptable use of check requests and such disbursements should be processed through the regular procurement process.

We previously reported a similar finding in a prior OIG report, *Statutorily Mandated Audit of Miscellaneous Expenses for the Period April 1, 2017 to June 30, 2017*, Report No. 18-AUD-

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06, dated June 29, 2018. The expense discussed in our prior report was a check request for the same vendor, the same cost center, and the same purpose as the check request reviewed in this audit. Although training facilitators are prohibited from being paid for by check request, Accounting staff misinterpreted the policy and allowed the payment. The policy prohibits the use of check requests for all training facilitator services regardless of the dollar amount. The prior report recommended that Accounting staff be made aware that Metro's policy prohibits paying for training facilitator services using check requests. The Executive Officer, Finance/Controller responded to this recommendation that Accounting staff were made aware that Metro's policy prohibits the use of check request to pay for training facilitators under any circumstances.

CONCLUSION

Generally, the miscellaneous expenses we examined were properly supported and complied with Metro policies. We found that one miscellaneous expense for a training facilitator for coaching and counseling was inappropriately paid by check request. Accounting has taken corrective action.

Summary of Miscellaneous Expenses Audited

For the Period from October 1, 2017 to December 31, 2017

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$ 36,996	\$ 0
50903	Business Meals	61,480	9,337
50905	Misc – Corporate Membership	282,666	25,250
50908	Employee Relocation	433	0
50910	ER Mileage / Parking	6,012	346
50912	Misc – Professional Membership	20,872	921
50915	Seminar and Conference Fee	95,123	5,154
50917	Business Travel	182,340	7,929
50920	Business Interruption Fund	2,364,772	0
50999	Other Miscellaneous Expenses	<u>380,411</u>	<u>2,532</u>
	Totals	<u>\$3,431,105</u>	<u>\$51,469</u>

The above amounts do not include transactions that were \$200 or less, credit adjustments, and expenses incurred by the OIG or the Ethics Department.

Final Report Distribution

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