

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit
of Miscellaneous Expenses
October 1, 2021 to December 31, 2021

Report No. 22-AUD-06

April 21, 2022



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Metro

DATE: April 21, 2022

TO: Metro Board of Directors
Metro Chief Executive Officer

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

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses
October 1, 2021 to December 31, 2021 (Report No. 22-AUD-06)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2021 to December 31, 2021. This audit was performed pursuant to Public Utilities Code, Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) 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, we noted the following issues on three of the sampled expenses reviewed:

- Insufficient internal control on the use of Metro’s Purchase Card
- Fiscal Year 2021 expenses recorded in Fiscal Year 2022 due to late submission of Purchase Card reconciliation package
- Check payment over \$3,000 without the approval of Vendor/Contract Management
- Non-compliance with Corporate and Professional Membership Policy

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 approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Communications, Human Capital and Development, Operations, Planning, Program Management, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of October 1, 2021 to December 31, 2021. For this period, miscellaneous expenses totaled \$811,229¹ with 288 transactions. We selected 46 expense transactions totaling \$304,230 for detail testing. Twenty nine (29) of the expense transactions were randomly selected, two (2) were selected due to their large dollar amounts, and fifteen (15) were selected to add more samples for Business Meals Expense (Account 50903) and to sample other accounts. 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 conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion 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 payment 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 noted issues on the following transactions:

¹ This total does not include transactions that were less than \$200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

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1. Insufficient Internal Control on the Use of Metro's Purchase Card

Our audit of the Purchase Card (P-Card) for Cost Center 6951, Administrative Business Services of Vendor/Contract Management for March 2021 disclosed several issues, as follows:

- a) Insufficient documentation to support the P-Card charges
- b) The payments did not match the unpaid invoices listed in the vendor's Statement of Account
- c) Inadequate review of payment
- d) No documentation on pre-approval of P-Card charge
- e) No knowledge transfer to the new staff when the original Cardholder and Approver retired

a. **Insufficient documentation to support the P-Card charges**

Cost Center 6951, Administrative Business Services, uses their P-Card to pay for advertising public notices and Requests for Proposal, among other advertisements, which are published in various newspapers. We examined their P-Card statement dated March 22, 2021 which was submitted in November 2021. The P-Card statement showed 25 charges for \$12,843.77 and five credits for \$983.45 with a net payment of \$11,860.32 to the Daily Journal Corporation.

Our audit found that the documents submitted by the Cardholder were not sufficient to support the credit card charges. The Cardholder submitted Purchase Card receipts only without actual invoices showing the details of services provided. The Purchase Card receipts, which only showed the order number and amount, served as proof that payments were made through their Metro P-Card but they did not prove the accuracy and validity of the payments made. Without the actual invoices, we could not verify if the services rendered were actually for Metro, and if the items paid were actually unpaid and outstanding prior to payment. Billing errors can occur such as advertising of other companies being erroneously or inadvertently charged to Metro, or Metro's payments not reflected in the vendor's records. Without accurate invoices from the vendor to Metro, P-Card charges cannot be verified.

We inquired with the Procurement Administration Supervisor who explained that the former Cardholder and Approving Official both left as part of Metro's Voluntary Separation Incentive Program (VSIP) last year and the task of approving the statement was temporarily assigned to him. He stated that unfortunately, the former Cardholder "*did not leave good records and the new administrative person had a hard time locating any documentation related to this statement.*" The new staff, the second Cardholder, apparently did not find the invoices; thus, she only submitted the Purchase Card receipts. She also left Metro in January 2022.

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b. The payments did not match the unpaid invoices listed in the vendor's Statement of Account

We asked the Cost Center to request the Statements of Account for February and March 2021 from the vendor. We reviewed the statements to check if the items were actually outstanding and unpaid prior to payment and if the P-Card payments in March were correctly reflected in the vendor's records. Our review disclosed the following:

- The payments made on 3/19/2021 did not match the unpaid invoices/orders shown in the vendor's Statement of Account as of 2/28/2021.
- The vendor's Statements of Account as of 2/28/2021 and 3/31/2021 showed the same outstanding balance of \$63,197.

Based on the information above, the vendor's Statements of Account cannot be relied upon and used to verify the items paid by Metro.

We asked the Approving Official of the March 2021 P-Card statement about this; unfortunately, he could not provide an explanation. He stated that since everyone involved in these transactions had either retired or left the company and it happened prior to his assignment as temporary approver for the group, he had *"no visibility to any documents."*

c. Inadequate review of payment

Our review of the Purchase Card receipts in March 2021 disclosed that two orders were paid twice on the same day – order number 3424353 for \$140.00 and 3424849 for \$1,801.74 for a total of \$1,941.74 in overpayments. This amount was credited back to Metro's account in the following month.

We also inquired about the nature of five credits shown in the March 2021 P-Card statement for a total amount of \$983.45. The Approving Official said he recalled that "some transactions were charged to the wrong cost centers." However, this reason would have only required making the correction internally and would not generate a credit from the vendor. We checked the P-Card payments in February 2021 and verified that the invoices were paid twice; hence, the overpayments were credited back to Metro in March 2021.

Based on the above information, it appears there was an inadequate review of transactions and payments. The Approving Official should perform a review before payment is made to ensure that there are no overpayments.

The Senior Manager of Administrative Business Services, who is the current Approving Official, informed us that the former Cardholder paid the past due items over the phone with the P-Card. She recalled that the Cardholder's main basis of payment was the accounting home page of the vendor which showed the list of their receivables from Metro. As mentioned earlier, this second Cardholder also left Metro.

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d. No documentation on pre-approval of P-Card charge

The one-time, two-page display ad for a Notice of Public Hearing was published in the LA Times on July 17, 2020 for \$50,490, which was paid in May 2021. This payment was only supported by a credit card receipt, but an actual invoice was not provided.

We requested the Administrative Business Services Department to provide us with the original request and pre-approval document for publishing ads in Los Angeles Times. So far, the department has not been able to provide the information we requested.

e. No knowledge transfer to the new staff when the original Cardholder and Approver retired

When the original Cardholder and Approver retired at the same time in March 2021, the staff who replaced them had difficulty securing the required documents and reconciling the P-Card transactions. The knowledge transfer and transition of duties and responsibilities were absent or insufficient to carry out the department's P-Card responsibilities.

All the aforementioned findings showed that there was insufficient internal control on the use of Metro's P-Card in Cost Center 6951 during the period audited.

We cannot overemphasize the importance of appointing a back-up person in performing any task and maintaining written standard operating procedures to avoid situations like this when an employee leaves the agency. The Office of the Inspector General has previously made recommendations to create or improve SOPs with top priority given to those positions where employees choose to leave the agency through participation in the VSIP and develop SOPs for all positions and critical tasks for departments lacking SOPs. (21-AUD-04 Final Report on Review of Metro Standard Operating Procedures, issued on February 10, 2021).

Based on our discussion with the new Approving Official who has just taken the position, she said "*the program has been revamped to ensure program management oversight occurs at the Senior Manager level.*" She added that her section implemented various steps to more closely monitor the process from advertisement submission through payment and reconciliation.

Pursuant to the P-Card Procedures and Information, "*the Cardholder is responsible for record keeping and reconciliation of charges made on his/her P-card. In the absence of the Cardholder, the Approving Official is responsible for reconciliation.*" Further, the Approving Official should ensure that all required documentation is attached to the Monthly Purchase Summary Report.

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2. Fiscal Year 2021 Expenses Recorded in Fiscal Year 2022 due to Late Submission of Purchase Card Reconciliation Package

As mentioned above, Administrative Business Services (Cost Center 6951) uses their P-Card to pay Daily Journal Corporation for advertising services. The Cardholder submitted the statement and the reconciliation package for March 2021 in November 2021 – eight months later. As a result, the payment of \$11,860.32, which should have been recorded as an expense in fiscal year 2021, was recorded in fiscal year 2022.

Pursuant to the P-Card policy, the Cardholder must forward the P-Card package (monthly P-Card log, reconciled monthly bank statement, and receipts) to the designated Approving Official for review and approval within five working days of receipt of the bank statement. The Approving Official, in turn, should review and approve statement packages within five working days from the date of receipt. The P-Card package should be received by Accounting not later than the 15th day of the following month. Not turning in monthly statements on time is a violation of Metro’s P-Card policy.

As stated in number 1 above, the Approving Official explained that the former Cardholder and Approving Official left pursuant to Metro’s VSIP in March 2021 and the replacement staff had difficulty in obtaining the required documents to complete the P-Card package but they did make an effort. The Approving Official stated *“We were aware of the impact this would have on the budget, but it was something out of our control. We truly tried to get the backup documentation as quickly as we could, but it took a very long time.”*

3. Check Payment Over \$3,000 without the Approval of Vendor/Contract Management

In October 2021, Metro held a roundtable with Latino small businesses/leaders to increase awareness on how to do business with Metro. To facilitate a live high-quality broadcast, Public Relations engaged the services of Partyline Events which set up the stage and provided chairs and meals for attendees, among others. Due to time constraints, the Public Relations team was not able to go through the standard procurement procedures. The Communications Manager stated in her memo that *“Because the scope of work was requested in three weeks prior to the event date, the Public Relations team did not have enough time to move forward on a standard procurement procedure to obtain a Purchase Order.”* Metro paid the vendor \$5,657.79 in November 2021 for this service.

Based on Accounting Procedures and Guidelines for Check Requests (ACC-01), purchases greater than \$3,000 are subject to the procurement processes; however, exceptions may be processed when the extraordinary circumstances are documented in a memorandum of justification approved by the department’s Chief Officer. Section 1.1.3 of ACC-01 states: *“The memorandum is to be attached to the electronic check request that will be sent via the electronic check request workflow approval process to an Executive Officer, Vendor/Contract Management who will ensure that all exception justification memos are reviewed for compliance with Metro’s Procurement Policies and Procedures.”*

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While there was a justification memo approved by the Executive Officer of Communications on behalf of the Deputy Chief Communications Officer, the memo was not sent to the Executive Officer of Vendor/Contract Management (V/CM) for review and approval. The check requester explained that their non-compliance was due to oversight.

We advised the Public Relations staff about the policy and on February 18, 2022, he informed Accounting that they executed a contract with the vendor. Accounting prepared an adjustment to rematch the subject invoice to the Purchase Order.

Metro's policy is for the department procuring the \$3,000 service to not only write a justification memo; it must also be sent to V/CM for approval for checks and balances to occur.

4. Non-Compliance with Corporate and Professional Membership Policy

In October 2021, the Cardholder of the Office of Civil Rights, Racial Equity & Inclusion paid the professional membership of two employees with Association of Workplace Investigators for \$450. However, the professional membership form was not submitted to the Training and Development Department for approval and documentation, as required by the Corporate and Professional Membership (HR 6) policy.

Section 2.2 of HR 6 states: *"The requesting employee must complete and submit to Training and Development (T&D) the Corporate and Professional Membership Information form, membership application or renewal notice, and method of payment (electronic check request or Purchase Card)."*

The Cardholder stated that he was *"never informed that the form needed to be submitted before payment was made."*

It is important to submit the required form to secure the approval of the member's supervisor and T&D. Each fiscal year, T&D maintains a list of employee memberships, and in reviewing the number of requests for individual memberships, T&D can assist in obtaining group membership discount rates within the professional organization if they are available. Metro can also avoid paying for duplicate corporate memberships across multiple departments.

OBSERVATION

Comparison of Miscellaneous Expenses for the Current Period with Prior Period/Year

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period and prior year. (Note: All amounts were based on audit population.)

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a. Current Quarter (FY22 Q2) vs. Prior Quarter (FY22 Q1) Miscellaneous Expenses

Miscellaneous expenses this quarter increased by \$330,250 or 69% as compared to the prior quarter. This was mainly due to the increase in advertising expense and in account number 50999 (miscellaneous).

Advertising increased from \$33,016 last quarter to \$226,125 in the current quarter due to payments for Metro’s NextGen media plan and Request for Proposals and Public Notices. Also, account number 50999 (miscellaneous), which is a component of miscellaneous expenses, more than doubled from \$143,374 last quarter to \$315,690 this quarter. This was due to a \$50,000 sponsorship for the Taste of Soul event paid to Los Angeles Sentinel, and a partial payment of \$50,000 out of the total \$150,000 agreed amount for partnership with Los Angeles Cleantech Incubator. See Table 1 below:

Table 1: Current Quarter vs. Last Quarter

Account	Oct-Dec 2021	Jul-Sep 2021	Increase (Decrease)
Advertising	\$ 226,125	\$ 33,016	\$ 193,109
Business Meals	33,914	8,619	25,295
Business Travel	28,098	7,521	20,577
Corporate Membership	145,346	222,000	(76,654)
Professional Membership	13,626	6,958	6,668
Seminar and Conference Fee	34,433	21,883	12,550
Miscellaneous (50999) *	315,690	143,374	172,316
Others (Mileage and Parking, etc.)	13,997	37,608	(23,611)
Total	\$ 811,229	\$ 480,979	\$ 330,250
Increase Over Prior Quarter			69%

*Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books and periodicals used in the normal operation of Metro’s business, recruitment expenses, community outreach, postage, and others. (Source: Metro’s Descriptive Chart of Accounts)

b. Current Quarter (FY22 Q2) vs. Same Quarter of Prior Year (FY21 Q2) Miscellaneous Expenses

The total amount of miscellaneous expenses for this quarter and the second quarter of Fiscal Year 2021 posted a minimal increase of \$13,526 or 2%. Please see Table 2 on next page.

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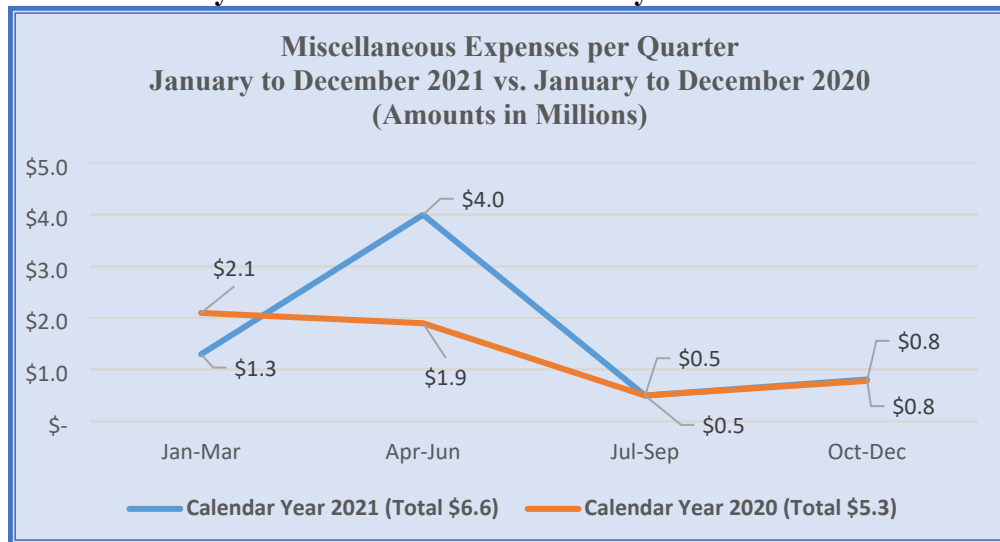
Table 2: Current Quarter vs. Same Quarter of Prior Year

Account	Oct-Dec 2021	Oct-Dec 2020	Increase (Decrease)
Advertising	\$ 226,125	\$ 232,556	\$ (6,431)
Business Meals	33,914	28,743	5,171
Business Travel	28,098	1,406	26,692
Corporate Membership	145,346	204,424	(59,078)
Professional Membership	13,626	10,979	2,647
Seminar and Conference Fee	34,433	(12,636)	47,069
Miscellaneous (50999) *	315,690	304,156	11,534
Others (Mileage & Parking, etc.)	13,997	28,075	(14,078)
Total	\$ 811,229	\$ 797,703	\$ 13,526
Increase Over Same Quarter of Prior Year			2%

c. January to December 2021 vs. January to December 2020

Miscellaneous expenses of \$6.6 million for the last four quarters was higher by \$1.3 million or 25% than the same period of the prior year. This was mainly due to the increase in advertising, especially during the quarter ended June 30, 2021, in which 80% or \$3.2 million out of \$4 million was spent for advertising. The average amount per quarter was \$1.6 million and \$1.3 million for both periods, respectively. See Figure 1 below:

**Figure 1: Miscellaneous Expenses per Quarter
January to December 2021 vs. January to December 2020**



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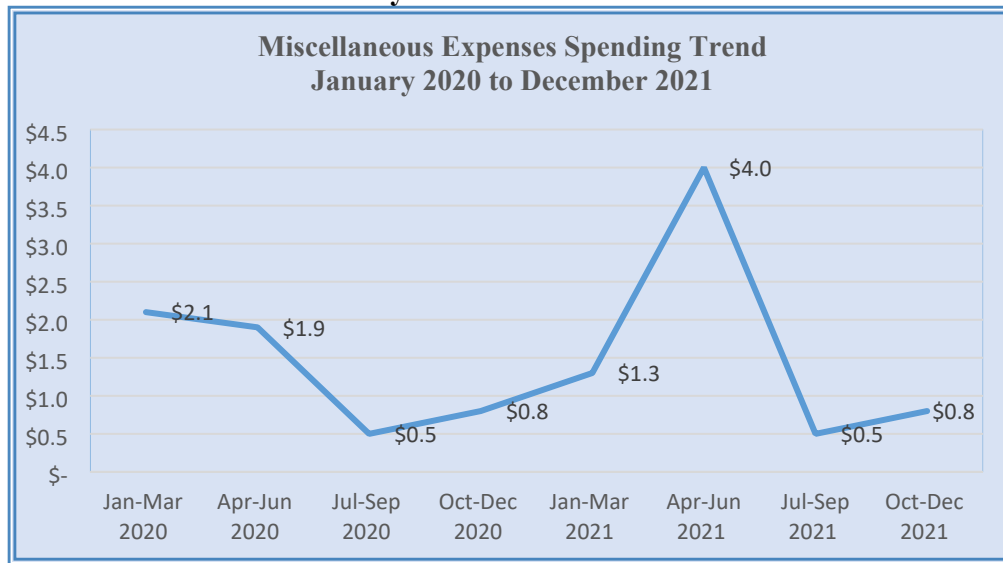
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The sharp decrease in miscellaneous expenses from April to September 2020 was due to the cost reduction programs implemented due to the pandemic.

Miscellaneous expenses for the quarter of July to September 2020 and 2021 both posted the same amount of approximately \$500,000; similarly, miscellaneous expenses incurred for the quarter of October to December 2020 matched the amount in the current quarter.

Figure 2 below shows the spending trend for miscellaneous expenses for the last two years:

**Figure 2: Miscellaneous Expenses Spending Trend
January 2020 to December 2021**



As discussed in the section Observation (c) above, out of \$4 million expenses for the quarter ended June 30, 2021, \$3.2 million or 80% was spent for advertising on media campaigns on Micro Transit, “Return to Service” bus operator recruitment, ridership, and others.

CONCLUSION

The miscellaneous expenses we reviewed for the period of October 1 to December 31, 2021 generally complied with Metro policies and procedures. However, we found that there was insufficient internal control on the use of Purchase Card (P-Card) for one department due to the departure of the original Cardholder and Approver who left Metro during the Voluntary Separation Incentive Program at the same time. Nevertheless, the subject business unit has been reorganized and implemented procedures and controls to effectively comply with the P-Card policy.

We also found non-compliance with policies on the Check Request due to oversight and Corporate and Professional Membership because the employees involved were not aware of the policy.

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The inadequate and untimely review of Metro's Business Units reviewing, approving, and submitting their P-Card reconciliation packages continues to be an area we have found regularly and in violation of Metro policy, resulting in the recording of miscellaneous expenses recorded improperly and/or in incorrect accounting periods. Accounting's continued practice of sending out monthly emails with instructions for P-Card officials to submit the reconciliation package in a timely manner improves and supports Metro's P-Card policy.

The Office of the Inspector General is working with Metro's Information Technology Services and other Metro Business Units to improve the P-Card approval process and their reporting, notification, and reminder systems.

We have asked the Metro IT department to assist P-Card officials and improve the approval process and provide a desktop icon to the approval database.

RECOMMENDATIONS

We recommend the following:

Vendor/Contract Management

1. Cost Center 6951 should review March 2021 P-Card statement again and reconcile the charges with vendor's invoices and the originating requests from various units to determine if there were any overpayments made by Metro. (The vendor must still have the invoices since the Internal Revenue Service requires business organizations to keep their records for three years from the date they filed their original return.)
2. Take reasonable steps to work with clients/cost centers to select the most efficient and cost-effective methods for advertising.
3. The Approving Official and Business Unit Coordinator should ensure that appropriate documentation of P-Card activities is maintained to comply with Metro P-Card policies and procedures.
4. Prepare and keep written detailed steps and procedures on P-Card reconciliation/report submission and consider having a back-up person to perform the task to ensure knowledge transfer when an employee leaves the agency.
5. Instruct all Purchase Card program participants to submit and approve the monthly statements and reconciliation package in a timely manner.

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Communications

6. Remind staff to comply with Accounting Procedures and Guidelines for Check Requests (ACC-01); secure approval of V/CM for check requests over \$3,000 when exceptions are applicable.

Civil Rights, Racial Equity & Inclusion

7. Instruct staff to comply with the Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms prior to payment.

Information Technology Services

8. Consider creating a P-Card System desktop icon to assist P-Card officials and improve access to the P-Card approval database.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On March 29, 2022, we provided Metro Management a draft report. By April 21, 2022, Metro Management submitted their responses summarizing their corrective actions, as shown in Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken 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.

Summary of Sampled Expenses Audited October 1, 2021 to December 31, 2021

<i>Account</i>	<i>Account Description</i>	<i>Audit Population</i>	<i>Sample Amount</i>
50213	Training Program	\$ 674	\$ 250
50903	Business Meals	33,914	28,911
50905	Corporate Membership	145,346	75,326
50908	Employee Relocation	10,000	10,000
50910	Mileage and Parking	3,323	795
50912	Professional Membership	13,626	4,129
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	34,433	11,833
50917	Business Travel	28,098	6,230
50918	Advertising	226,125	80,115
50930	Employee Activities & Recreation 	0	0
50999	Other Miscellaneous Expenses	<u>315,690</u>	<u>86,641</u>
	Total	<u>\$811,229</u> <c>	<u>\$304,230</u>

<a> Expenses incurred were under \$200, which were excluded from the audit population subject to sampling.

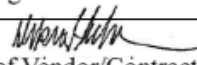
 No expenses incurred for this quarter

<c> This total does not include transactions that were \$200 or less, offsetting debits/credits, and transactions from the OIG and Transit Court Departments

Management Comments to Draft Report


Metro

Interoffice Memo

Date	April 13, 2022
To	Yvonne Zheng Senior Manager Audit
From	Debra Avila  Deputy Chief Vendor/Contract Management Officer
Subject	Management Response Statutorily Mandated Audit of Miscellaneous Expenses October 1, 2021 to December 31, 2021 Report No. 22-AUD-06

INTRODUCTION

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OIG found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on three of the sampled expenses reviewed:

- Insufficient internal control on the use of Metro's Purchase Card
- FY21 expenses recorded in FY22 due to late submission of Purchase Card reconciliation package
- Check payment over \$3,000 without the approval of Vendor/Contract Management (V/CM)
- Non-compliance with Corporate and Professional Membership Policy.

AUDIT CONCLUSION

The miscellaneous expenses reviewed for the period of October 1 to December 31, 2021 generally complied with Metro policies and procedures. However, it was found that there were insufficient internal control on the use of Purchase Card (P-Card) for one department due to the departure of the original Cardholder and Approver who left Metro during the Voluntary Separation Incentive Program at the same time. Nevertheless, the subject business unit has been reorganized and implemented procedures and controls to effectively comply with the P-Card policy. In addition, it was found that there was non-compliance with policies on the Check Request due to oversight and Corporate and Professional Membership because the employees involved were not aware of the policy.

Management Comments to Draft Report

V/CM Management Response - Report No. 22-AUD-06
4/13/22
P. 2

The inadequate and untimely review of Metro's Business Units reviewing, approving, and submitting their P-Card reconciliation packages continues to be an area we find regularly and in violation of Metro policy, resulting in the recording of miscellaneous expenses recorded improperly and or in incorrect accounting periods. Accounting's continued practice of sending out monthly emails with instructions for P-Card officials to submit the reconciliation package in a timely manner improves and supports Metro's P-Card policy.

The Office of the Inspector General is working with Metro's Information Technology Services (ITS) and other Metro Business Units to improve the P-Card approval process and their reporting, notification, and reminder systems. ITS has been asked to assist P-Card officials and improve the approval process and provide a desktop Icon to the approval database

RECOMMENDATIONS AND RESPONSES

1. *Cost Center 6951 should review March 2021 P-Card statement again and reconcile the charges with vendor's invoices and the originating requests from various units to determine if there were any overpayments made by Metro. (The vendor must still have the invoices since the Internal Revenue Service requires business organizations to keep their records for three years from the date they filed their original return.*

V/CM RESPONSE:

V/CM agrees and is continuing to work with the service providers to receive copies of the vendor's invoices. All itemized information provided from the Vendor has been forwarded in an email dated 3/15/2022 for the spreadsheet requested from the OIG Sr. Auditor – this information confirmed there were no overpayments, along with the specific dates the past due items were paid. The dollar amounts on the statements remained the same due to the account unfortunately being past due. As depicted in the spreadsheet provided, these past due amounts were later remedied with the incoming staff as this finding was the result of previous responsible employee's failure to follow the proper procedures.

2. *V/CM will take reasonable steps to work with clients to select the most efficient and cost-effective methods for advertising.*

V/CM RESPONSE:

V/CM agrees. Although advertising is not a competitive process, V/CM will take reasonable steps to meet with clients to discuss options for advertising to meet the requirements as outlined in Chapter VI, Subsections 3.c.(2)(a) and 3.d.(2)(a) of FTA Circular 4220.1F requiring that IFB's and RFP's to be "publicly" advertised. Where applicable, justification or management approval will be obtained for the file.

Management Comments to Draft Report

V/CM Management Response - Report No. 22-AUD-06
4/13/22
P. 3

- 3. The Approving Official and Business Unit Coordinator should ensure that appropriate documentation of P-Card activities is maintained to comply with Metro P-Card policies and procedures.*

V/CM RESPONSE:

V/CM agrees and in September 2021 advised that it has implemented an online log which is being maintained and monitored by all levels of staff that are engaged in the P-Card approval workflow. The log provides visibility and tracking of P-Card transactions/approvals, and establishes a failsafe mechanism for workflow. This visibility assists in facilitating a timely and accurate P-Card reconciliation process.

- 4. Prepare and keep written detailed steps and procedures on P-Card reconciliation/report submission and consider having a back-up person to perform the task to ensure knowledge transfer when an employee leaves the agency.*

V/CM RESPONSE:

V/CM agrees; the department created a draft procedure and is now developing a formal version that will detail steps to facilitate tracking, managing, and monitoring P-Card transactions from ad requests to order placement and payment. The estimated time for completion of the new desk procedure is May 2022. The procedure enables effective P-Card reconciliation and provides greater visibility for all necessary layers of P-Card approval workflow from the card holder to leadership. Additionally, a backup P-Card holder will soon be in place once the P-Card training has been completed, thus establishing an additional layer of redundancy. The estimated completion of the P-Card training for the backup is May 2022. Additionally, the P-Card holder and the approver also use the existing P-Card Training Manual created by the Agency P-Card Administrator and the Accounting department to assist in the process.

- 5. Instruct all Purchase Card program participants to submit and approve the monthly statements and reconciliation package in a timely manner.*

V/CM RESPONSE:

Although this particular function is not part of the responsibility and oversight of the PCard Administrator as it falls within the oversight of the Finance department, V/CM agrees with the recommendation and includes this information in training materials delivered by the PCard Administrator. Additionally, the V/CM PCard intranet site and Quarterly Newsletters include reminders to all program participants of the importance to submit timely reconciliations.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	April 11, 2022
To	Yvonne Zheng, Senior Manager, Audit Office of Inspector General
From	Yvette Rapose, Deputy Chief, Customer Experience
Subject	Audit of Miscellaneous Expenses October to December 2021 (22-AUD-06)

OVERVIEW

We have reviewed the results of the subject audit report and concur with the recommendation in the report. As way of background, Public Relations was extensively using check requests for two vendors, during this time, for amounts over \$3,000 due to delays of getting these vendors on board with new contracts and purchase order numbers. While we had been working closely with V/CM on the process and had agreement to attach signed memorandums of justification for each check request over \$3,000, the omission of having a signed MOJ by V/CM, in this particular case, was an oversight on the part of the manager overseeing the project.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

Communications:

Public Relations: Remind staff to comply with Accounting Procedures and Guidelines for Check Requests (ACC-01); secure approval of V/CM for check requests over \$3,000 when exceptions are applicable.

Management Response: Agree. Reviewed the process with staff and they understand that review and signed approval must be obtained from V/CM in accordance with Accounting Procedures and Guidelines for Check Requests.

Management Comments to Draft Report



Metro

Interoffice Memo

Date	March 29, 2022
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Jonaura Wisdom, Acting Deputy Chief Office of Civil Rights, Racial Equity & Inclusion
Subject	Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2021 to December 31, 2021 (Report No. 22-AUD-06)

Result of Audit

Non-Compliance with Corporate & Professional Membership Policy

In October 2021, the Cardholder of the Office of Civil Rights, Racial Equity & Inclusion (OCREI) paid the professional membership of two employees with Association of Workplace Investigators for \$450. However, the professional membership form was not submitted to the Training and Development Department for approval and documentation, as required by the Corporate and Professional Membership (HR 6) policy.

Section 2.2 of HR 6 states: *“The requesting employee must complete and submit to Training and Development (T&D) the Corporate and Professional Membership Information form, membership application or renewal notice, and method of payment (electronic check request or Purchase Card).”*

The Cardholder stated that he was *“never informed that the form needed to be submitted before payment was made.”*

It is important to submit the required form to secure the approval of the member’s supervisor and T&D. Each fiscal year, T&D maintains a list of employee memberships, and in reviewing the number of requests for individual memberships, T&D can assist in obtaining group membership discount rates within the professional organization if they are available. Metro can also avoid paying for duplicate corporate memberships across multiple departments.

Recommendation

Civil Rights, Racial Equity & Inclusion

Instruct staff to comply with the Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms prior to payment.

Management Comments to Recommendation

On February 17, 2022, the Office of the Inspector General informed OCREI that a professional membership form was not submitted to Training and Development (T&D) for approval prior

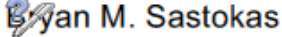
Management Comments to Draft Report

to paying for the AWI memberships. The employee, who processed these payments, has since reviewed Section 2.2 of HR 6 Policy that states: *“The requesting employee must complete and submit to Training and Development (T&D) the Corporate and Professional Membership Information form, membership application or renewal notice, and method of payment (electronic check request or Purchase Card).”* The employee is now aware of the process moving forward and has submitted the professional membership forms for AWI Membership to T&D for approval.

Management Comments to Draft Report


Metro

Interoffice Memo

Date	April 20, 2022
To	Yvonne Zheng, Senior Manager, Audit Office of the Inspector General
From	Bryan M. Sastokas, Deputy Chief Information Technology Officer  <small>Digitally signed by Bryan M. Sastokas Date: 2022.04.20 16:34:27 -07'00'</small>
Subject	Corrected Response to Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2021 to December 31, 2021 (Report No. 22-AUD-06)

This memo serves as a correction to ITS management's response to draft report *Statutorily Mandated Audit of Metro Miscellaneous Expenses October 1, 2021 to December 31, 2021* (Report No. 22-AUD-06).

Recommendation #8:

Information Technology Services consider creating a P-Card System desktop icon to assist P-Card officials and improve access to the P-Card approval database.

Management Response: ITS concurs with the recommendation.

An icon will be developed for access to the P-card portal. Accounting will send out an email to all P-Card users by the end of the week with how to access the portal and how to create the icon.

Expected Completion Date: April 25, 2022

CC: Patrick Astredo
Jesse Soto
Medik Ghazikhanian

Final Report Distribution

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