

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
October 1, 2018 to December 31, 2018**

Report No. 20-AUD-01

July 26, 2019



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
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DATE: July 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 October 1, 2018 to December 31, 2018 (Report No. 20-AUD-01)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2018 to December 31, 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, training, 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 found an instance that a purchase card holder was mistakenly listed as a business unit coordinator.

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 Rules and Guidelines,
- Interviewed appropriate staff in Accounting and other departments, and
- Reviewed a sample of expenses for the period of October 1, 2018 to December 31, 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 October 1, 2018 to December 31, 2018. For this period, miscellaneous expenses totaled \$1,997,667.02.¹ We selected 36 expense transactions totaling \$485,664.87 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 purchase card holder was mistakenly listed as a business unit coordinator.

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 Holder Was Mistakenly Listed As Business Unit Coordinator

We found that a P-Card holder from Real Estate Administration Department was mistakenly listed as a Business Unit Coordinator (BUC) in August 2018 purchase card log. According to Metro's Purchase Card Rules and Guidelines, "a Business Unit Coordinator may not be assigned as a P-Card Holder." The department's card holder and approving official stated that the card holder is not the Business Unit Coordinator of the department. Administration Policy Department checked and confirmed that the card holder is not the Business Unit Coordinator for the department. The Senior Manager from Administration Policy Department stated that he addressed the separation of duties and responsibilities during the mandatory purchase card training. He also specifically mentioned that card holders, approving officials and business unit coordinators should not list themselves in roles what they are not performing. The cost center reported that they will update the Business Unit Coordinator in future P-Card logs.

CONCLUSION

We found that Metro miscellaneous expenses reviewed for the period of October 1, 2018 to December 31, 2018 generally complied with policies, and were reasonable and adequately supported with required documents. However, a purchase card holder was mistakenly listed as a business unit coordinator of the department.

RECOMMENDATIONS

We recommend:

1. The Administration and Policy group in the Procurement Department should continue their efforts in addressing the separation of the duties and the responsibilities of P-Card holders, Approving Officials and Business Unit Coordinators during training.
2. The Real Estate Administration Department should ensure their future P-Card logs are submitted according to P-Card Rules and Guidelines; specifically, ensure that the name of the Business Unit Coordinator is accurately reported on the P-Card logs.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On July 11, 2019, we provided Metro Management a draft report. On July 12 and July 19, Procurement Department and Real Estate management completed responses that agreed with the recommendations in the report (see Attachment B).

OIG EVALUATION OF MANAGEMENT RESPONSE

Management's 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
For the Period from October 1, 2018 to December 31, 2018**

| <i>Account</i> | <i>Account Description</i> | <i>Total Amount</i> | <i>Sample Amount</i> |
|----------------|------------------------------|-------------------------------|-----------------------------|
| 50213 | Training Program | \$ 152,745.56 | \$ 115,000.00 |
| 50903 | Business Meals | 73,970.17 | 2,485.48 |
| 50905 | Corporate Membership | 228,913.50 | 84,188.00 |
| 50908 | Employee Relocation | 18,904.52 | 0 |
| 50910 | ER Mileage / Parking | 3,864.86 | 363.14 |
| 50912 | Professional Membership | 16,525.00 | 840.00 |
| 50914 | Schedule Checkers | 2,945.14 | 0 |
| 50915 | Seminar and Conference Fee | 109,802.12 | 1,066.89 |
| 50917 | Business Travel | 210,461.54 | 8,128.95 |
| 50918 | Advertising | 767,520.18 | 154,445.77 |
| 50999 | Other Miscellaneous Expenses | <u>\$ 412,014.43</u> | <u>\$ 119,146.64</u> |
| | <i>Totals</i> | <u>\$ 1,997,667.02</u> | <u>\$ 485,664.87</u> |

Management Comments to Draft Report



Metro

Interoffice Memo

| | |
|---------|---|
| Date | July 12, 2019 |
| To | Karen Gorman Inspector General |
| From | Debra Avila Chief Vendor/Contract Management Officer |
| Subject | Response to OIG Draft Report, July 11, 2019 (Report No. 20-AUD-01) |

OVERVIEW

I have reviewed the results of the subject draft report and concur with the findings and recommendations for V/CM in the report.

OBSERVATION

Corrective measures have been taken to correct the observation that: "P-Card Holder Was Mistakenly Listed As Business Unit Coordinator."

RECOMMENDATION

In addition, the draft report recommends: "The Administration and Policy group in the Procurement Department should continue their efforts in addressing the separation of the duties and the responsibilities of P-Card holders, Approving Officials and Business Unit Coordinators during training."

PROPOSED ACTIONS

Vendor/Contract Management concurs with this recommendation and the department will continue to address the separation of duties and responsibilities during training, as well as remind program participants of the purchase card intranet site which details policy, procedure, and responsibilities.

Monthly, all P-Card Program participants (cardholders and approvers) reaching the two-year anniversary are contacted for the appropriate re-fresher training where separation of duties is addressed.

Twice a year, the cardholder list is reviewed with all Business Unit Coordinators to ensure account accuracy, including roles.

Additionally, in 2019 the department has instituted a Metro Purchase Card Program Quarterly Newsletter which is sent to all program participants in which policy reminders, such as separation of roles, and other policy topics are addressed.

Should you have any questions, please feel free to call me.

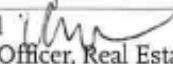
Thank you.

Management Comments to Draft Report



Metro

Interoffice Memo

| | |
|---------|---|
| Date | July 19, 2019 |
| To | Karen Gorman Acting Inspector General |
| Through | John Potts Executive Officer, Real Estate |
| From | Velma C. Marshall  Deputy Executive Officer, Real Estate |
| Subject | Response to OIG Draft Report on July 11, 2019 (Report No. 20-AUD-01) |

OVERVIEW

I have reviewed the findings of the OIG Draft Report (Report No. 20-AUD-01) and I concur that corrective actions are/were required.

OBSERVATION

The Report identifies that from October 1, 2018 to December 1, 2018 the Purchase Card Holder was also the Business Unit Coordinator. It's understood that the Purchase Card Rules and Guidelines prohibit the Purchase Card Holder from serving as the Business Unit Coordinator.

RECOMMENDATION

The Real Estate Administration Department will follow the Purchase Card Rules and Guidelines by ensuring the Purchase Card Holder and Business Unit Coordinator are separate personnel and listed correctly on the Purchase Card logs.

CORRECTIVE ACTIONS TAKEN

In response to the report findings and the above recommendation, as of March 2019 the Real Estate Administration Department assigned Craig Justesen as the Business Unit Coordinator. The corrective action resolves any compliance issues.

Should you have any questions, please feel free to call me.

Thank you.

Final Report Distribution

Board of Directors

Kathyrn Barger
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Metro

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Deputy Executive Officer, Real Estate
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Manager, Records & Information Management