



Board Report

File #: 2020-0870, **File Type:** Informational Report

Agenda Number: 7.

FINANCE, BUDGET, AND AUDIT COMMITTEE JANUARY 20, 2021

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2020 TO
JUNE 30, 2020**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2020 to June 30, 2020.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2020 to June 30, 2020. 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.

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.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2020 to June 30, 2020. For this period, miscellaneous expenses totaled \$1,902,336 with 730 transactions. We selected 53 expense transactions totaling \$586,063 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of April 1, 2020 to June 30, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for three of the expenses reviewed, requirements were not followed regarding the compliance with policies on business meals and travel expenses. A few transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

As stated in our previous report on the audit of miscellaneous expenses for the period of January to March 2020, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. On April 20, 2020, the Chief Executive Officer instructed the Senior Leadership Team to implement immediate cost saving actions and one of them is to cease expenditure in travel, seminar, business meal, training, membership, advertising, and other miscellaneous expenses.

Our review of miscellaneous expenses for the period of April to June 2020 disclosed that management and staff complied with the CEO's directive. The payments made were either for expenses incurred in the prior quarters or for expenses deemed essential .

Recommendations

We recommend that:

OPERATIONS (Bus Warranty) and PROGRAM MANAGEMENT (Executive Office, Transit Project Delivery):

1. Continue to remind staff to submit Travel and Business Expense (TBE) Reports timely and accurately; require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN 14.

OFFICE OF BOARD SECRETARY:

2. We reiterate our recommendations given in our prior report for the audit of miscellaneous expenses for the period January to March 2020 (21-AUD-01):
 - a) Indicate details and other pertinent information when business meals expenses are incurred, in compliance with Metro Policy ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
 - b) Work with Accounting to formulate a policy on business meals expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs.
3. Remind the P-Cardholder to monitor the invoices/billings to facilitate prompt payment. Keep detailed records to facilitate monitoring of credit card charges and to avoid overdue invoices from the meal vendors.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute in minor respects to cost savings and controls.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period April 1, 2020 to June 30, 2020 (Report No. 21-AUD-03)

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