



Board Report

File #: 2021-0553, **File Type:** Informational Report

Agenda Number: 17.

FINANCE, BUDGET, AND AUDIT COMMITTEE OCTOBER 20, 2021

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2021 TO MARCH 31, 2021

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 January 1, 2021 to March 31, 2021.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2021 to March 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.

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 January 1, 2021 to March 31, 2021. For this period, miscellaneous expenses totaled \$1,309,650 with 312 transactions. We selected 48 expense transactions totaling \$748,237 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of January 1, 2021 to March 31, 2021

generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for eight of the expenses reviewed, requirements were not followed regarding policies on Purchase Card use and professional memberships, and some payments were recorded to incorrect accounts. All were due to inattention of some staff to thoroughly review the transactions, understand the Chart of Accounts, or faithfully observe deadlines in policies.

Recommendations

We recommend that:

System Security and Law Enforcement

1. Instruct the staff and approving official to verify the billings and check all details for accuracy.

Operations

2. Remind staff to comply with Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms before payment is made.
3. Instruct the Purchase Cardholder to observe their cost center's single purchase limit or request an adjustment in advance in writing from the Procurement P Card Administrator.
4. Check all invoices for accuracy before payment.
5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

Program Management and Information Technology Services

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Accounting Department.

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.

EQUITY PLATFORM

There is no equity consideration or impact in this audit.

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 January 1, 2021 to March 31, 2021 (Report No. 22-AUD-01)

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