



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 19, 2020

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIODS JULY 1, 2019 TO SEPTEMBER 30, 2019 AND OCTOBER 1, 2019 TO DECEMBER 31, 2019**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of Inspector General (OIG) final reports on the Statutorily Mandated Audit of Miscellaneous Expenses for the Periods July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019. These audits were 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, 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 (TBE) 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.

These audits covered a review of Metro miscellaneous expenses for the period of July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019. For the quarter ended September 30, 2019, miscellaneous expenses totaled \$1,854,681 with 739 transactions wherein we selected 48 transactions totaling \$393,886 for detail testing. For the quarter ended December 31, 2019, miscellaneous expenses amounted to \$1,619,696 with 801 transactions and we tested 45

transactions for a total amount of \$486,679.

## **DISCUSSION**

### Findings

The miscellaneous expenses we reviewed for the periods of July 1, 2019 to September 30, 2019 and October 1, 2019 to December 31, 2019 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for some of the expenses reviewed, requirements were not followed regarding the compliance with policies on purchase cards, check requests and professional membership, and travel and business expenses. We also noted some transactions were recorded to incorrect accounts.

### **Recommendations**

#### **July to September 2019:**

We recommend that:

1. The Rail Transit Operations E (Expo) Line Division 14 should ensure that all P-Card transactions are supported with adequate documentation. The Approving Official should require the P-Cardholder to obtain itemized receipts to support all P-Card purchases.
2. The Communications Department should:
  - a. Ensure that P-Card logs are submitted according to P-Card Rules and Guidelines and all information are listed correctly, such as the name of the Business Unit Coordinator.
  - b. Remind staff to book their accommodation as far in advance as possible to take advantage of lowest possible hotel rates and to avoid lodging in excess of the allowable rates. In cases where accommodation in excess of allowable rate cannot be avoided, submit a justification memo approved by the Executive Officer. Encourage staff to attend TBE training.
3. The Office of Extraordinary Innovation should (a) follow up reimbursement from the sponsoring organization, and (b) monitor sponsored travels where Metro advanced the payment for expenses to ensure that the Agency is reimbursed promptly.
4. The System Security and Law Enforcement Department should encourage staff to attend the training on TBE and remind them of Metro's travel policy, and to ensure that employees submit their reports timely and accurately.
5. The General Services - Administration should:
  - a. Perform detailed review of Travel and Business Expense reports and supporting documents to ensure that reports are accurate, complete, and within applicable policies.

- b. Coordinate with Information Technology Services to add a feature in the TBE online system where it would automatically alert the traveler to indicate the reason/justification for any exception from the policy and to create a feature to track sponsored travel reimbursement.
- c. Update TBE policy to include rules and guidelines on sponsored travels.
- d. Continue to conduct training on FIN 14 to ensure employees are refreshed from time to time for the compliance with Metro travel policies and procedures.

### **October to December 2019**

We recommend:

1. Board Relations, Policy and Research Department, submit a detailed justification memo signed by a responsible department head, along with other required documents, when preparing check requests for business meals.
2. Accounting Department continue to ensure that all requirements under the Procedures and Guidelines for Check Requests Policy (ACC-01) are adhered to before processing a check request.
3. System Security and Law Enforcement Department make sure that their staff is aware of all the requirements under policy HR 6, including obtaining the approval of the Training and Development Department for all professional membership forms before submitting for payment.
4. The P-Cardholder in the Information Security Department exercise due care in recording the purchase card transactions and the Approving Official should continue to review the entries in the P-Card system to minimize, if not totally eliminate, any error.

### **FINANCIAL IMPACT**

There is no financial or budgetary impact.

### **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 July 1, 2019 to September 30, 2019 (Report No. 20-AUD-08)

Attachment B: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2019 to December 31, 2019 (Report No. 20-AUD-11)

Prepared by: Asuncion Dimaculangan, Senior Auditor (213) 244-7311  
Yvonne Zheng, Senior Manager, Audit (213) 244-7301  
George Maycott, Sr. Director, Inspector General-Audit (Interim) (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975