



## Board Report

---

**File #:** 2021-0138, **File Type:** Informational Report

**Agenda Number:** 10.

---

### FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 14, 2021

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2020 TO SEPTEMBER 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 July 1, 2020 to September 30, 2020.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2020 to September 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 Metro miscellaneous expenses for the period of July 1, 2020 to September 30, 2020. Between July 1 to September 30, 2020, miscellaneous expenses totaled \$484,398 with 166 transactions. We reviewed a sample of 30 expenses totaling \$96,672. The miscellaneous expenses for the subject audit period dropped significantly compared to \$1.8 million for the same quarter of the prior year. This is a direct result of a memo the Chief Executive Officer sent to the Senior Leadership Team in April 2020, "Immediate Cost Reduction Actions," which discussed cost-cutting measures including ceasing expenditures for travel, seminars, business meals, training, and other

miscellaneous items from April 1 to October 1, 2020.

## **DISCUSSION**

### **Findings**

The miscellaneous expenses we reviewed for the period of July 1, 2020 to September 30, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for three of the expenses reviewed, policy requirements were not followed for travel, P-Card, and media expenses. We also determined that the CEO's cost reduction actions were effective for travel, seminar, business meal, training, and membership. These costs were reduced by 90 to 98 percent in comparison to last year.

### **Recommendations**

We recommend that:

#### Human Capital and Development (Pension and Benefits):

1. Remind staff to submit TBE Reports timely and accurately.

#### Human Capital and Development (General Services Administration):

2. Continue to work with Information Technology Services to create additional program features in the travel system that will generate a "late filers" report and automatically send a reminder to travelers to submit their Travel and Business Expense report on the due date, if they have not yet done so.

#### Communications (Creative Services):

3. Ensure that Purchase Cardholders obtain adequate itemized receipts before approving the monthly P-Card log.

#### Communications (Marketing):

4. Instruct the Project Manager to review all invoices under the contract with Civilian and other vendors to ensure they are appropriate and accurate.

#### Office of the CEO

5. Consider extending the moratorium period beyond October 1, 2020 on CEO interoffice memo dated April 20, 2020 to Senior Leadership Team for "Immediate Cost Reduction Actions through October 1, 2020" related to expenditures on travel, seminar, business meal, training, and membership.

## **FINANCIAL IMPACT**

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute to cost savings and improve the system of internal control.

## **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, 2020 to September 30, 2020 (Report No. 21-AUD-06)

Prepared by: Myra Taylor, Senior Auditor, (Retired)  
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