



## Board Report

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**FINANCE, BUDGET, AND AUDIT COMMITTEE  
JULY 14, 2021**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF  
OCTOBER 1, 2020 TO DECEMBER 31, 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 October 1, 2020 to December 31, 2020.

**ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2020 to December 31, 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 October 1, 2020 to December 31, 2020. For this period, miscellaneous expenses totaled \$797,703 with 193 transactions. We selected 38 expense transactions totaling \$617,786 for detail testing.

**DISCUSSION**

## Findings

The miscellaneous expenses we reviewed for the period of October 1, 2020 to December 31, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for seven of the expenses reviewed, requirements were not followed regarding policies on Purchase Card, travel expenses, and employee relocation assistance. All were due to just inattention or unintentional human error. A couple of transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

## Recommendations

We recommend that:

### Human Capital and Development and Board Clerk

1. Document to the file permission to provide relocation expenses and enforce the provision of HR 42 for repayment by an employee who receives relocation benefits. Set forth in the clearance form for separating employees any amount that may be due Metro in cases of non-completion of the required minimum length of service unless an exemption circumstance set forth in the policy applies. Document the basis for any such exemption.
2. Continue to work with Information Technology Services Department to create automated reminders to travelers to submit their Travel and Business Expenses Report before the due date.

### Program Management

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

### Operations:

5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are approved in writing.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statement in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

### Planning and Development

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Metro's 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**

Staff discussed this board report item with the Office of Equity and Race and the collective agreement is that no equity considerations or impacts were found in this quarter's audit. Staff will continue to consult with the Office of Equity and Race to identify any potential equity impacts in future report backs.

### **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  
October 1, 2020 to December 31, 2020  
(Report No. 21-AUD-09)

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