



## Board Report

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### FINANCE, BUDGET, AND AUDIT COMMITTEE NOVEMBER 17, 2021

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2021 TO JUNE 30, 2021**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2021 to June 30, 2021.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2021 to June 30, 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 April 1, 2021 to June 30, 2021. For this period, miscellaneous expenses totaled \$3,961,106 with 447 transactions. We selected 45 expense transactions totaling \$2,215,804 for detail testing.

#### **DISCUSSION**

The miscellaneous expenses we reviewed for the period of April 1, 2021 to June 30, 2021 generally complied with policies, were reasonable, and adequately supported by required documents.

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However, we found that for eight of the expenses reviewed, requirements were not followed regarding Purchase Card policies and Travel and Business Expense. Seven staff did not comply in submitting the required reports on time and one Purchase Cardholder failed to obtain written pre-approval for purchases made.

### **Recommendations**

We recommend that:

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

Planning and Development (Grants Management and Oversight):

2. In addition to the above recommendation, consider the Purchase Cardholder going to the office once a month in order to complete the task on time if it cannot be done remotely. Otherwise, use other payment options such as Check Request instead of using Purchase Card to purchase items that the department needs.

Operations (Maintenance of Way and Operations Liaison):

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track staff travel activity and their respective TBE reports.

Chief People Office (Administrative Support):

5. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.
6. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

### **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**

It is the OIG's opinion that 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 April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03)

Attachment B: PowerPoint Presentation

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