



Board Report

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**FINANCE, BUDGET, AND AUDIT COMMITTEE
FEBRUARY 16, 2022**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2021 TO
SEPTEMBER 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 July 1, 2021 to September 30, 2021.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2021 to September 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 July 1, 2021 to September 30, 2021. For this period, miscellaneous expenses totaled \$480,979 with 150 transactions. We selected 48 expense transactions totaling \$322,680 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of July 1, 2021 to September 30, 2021 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for six of the expenses reviewed, requirements were not followed regarding policies on Corporate and Professional Membership, Purchase Cards, and Travel and Business Expense. The non-compliance of staff was either due to oversight or misinterpretation of the policy. To improve the process and increase the timeliness of employees submitting and approving P-Cards and Travel/Business expenses and supporting documents, the Office of the Inspector General is working with Metro's Information Technology Services and other Metro Business Units to improve their reporting, alerting and reminder systems.

Recommendations

We recommend that:

Information Technology Services

1. Ensure that correct accounts are used in all transactions. Remind staff to check Metro's Chart of Accounts or consult with Accounting Department.
2. Work with the Travel Office Department to create timely alerts and reminders , improving the process and timeliness of employees submitting their Travel and Business Expense reports and supporting documentation.

Human Capital and Development

3. Ensure that all Travel and Business Expense reports are reviewed for accuracy and completeness of documentation, including proper approval from authorized officers.

Planning and Development

4. 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.

Operations

5. Remind staff to comply with Travel and Business Expense (FIN 14) policy and ensure approval from the appropriate officer is obtained.

Program Management

6. Instruct staff to comply with the Corporate and Professional Membership (HR 6) policy; submit the Professional Membership Information form for review and approval by T&D before payment is made.
7. 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.
8. Remind staff to comply with Travel and Business Expense (FIN 14) policy and ensure that the appropriate approval is obtained.

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 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 July 1, 2021 to September 30, 2021 (Report No. 22-AUD-04)

Attachment B: PowerPoint Presentation

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