



Board Report

File #: 2022-0193, **File Type:** Informational Report

Agenda Number: 14.

FINANCE, BUDGET, AND AUDIT COMMITTEE MAY 18, 2022

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2021 TO DECEMBER 31, 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 October 1, 2021 to December 31, 2021.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2021 to December 31, 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 October 1, 2021 to December 31, 2021. For this period, miscellaneous expenses totaled \$811,229 with 288 transactions. We selected 46 expense transactions totaling \$304,230 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of October 1 to December 31, 2021 generally complied with Metro policies and procedures. However, we found that there was insufficient internal control on the use of Purchase Card (P-Card) for one department due to the departure of the original Cardholder and Approver who left Metro during the Voluntary Separation Incentive Program at the same time. Nevertheless, the subject business unit has been reorganized and implemented procedures and controls to effectively comply with the P-Card policy.

We also found non-compliance with policies on the Check Request due to oversight and Corporate and Professional Membership because the employees involved were not aware of the policy.

The inadequate and untimely review of Metro's Business Units reviewing, approving, and submitting their P-Card reconciliation packages continues to be an area we find regularly and in violation of Metro policy, resulting in the recording of miscellaneous expenses recorded improperly and/or in incorrect accounting periods. Accounting's continued practice of sending out monthly emails with instructions for P-Card officials to submit the reconciliation package in a timely manner improves and supports Metro's P-Card policy.

The Office of the Inspector General is working with Metro's Information Technology Services and other Metro Business Units to improve the P-Card approval process and their reporting, notification, and reminder systems.

We have asked the Metro IT department to assist P-Card officials and improve the approval process and provide a desktop Icon to the approval database.

RECOMMENDATIONS

We recommend the following:

Vendor/Contract Management

1. Cost Center 6951 should review March 2021 P-Card statement again and reconcile the charges with vendor's invoices and the originating requests from various units to determine if there were any overpayments made by Metro. (The vendor must still have the invoices since the Internal Revenue Service requires business organizations to keep their records for three years from the date they filed their original return.)
2. Take reasonable steps to work with clients/cost centers to select the most efficient and cost-effective methods for advertising.
3. The Approving Official and Business Unit Coordinator should ensure that appropriate documentation of P-Card activities is maintained to comply with Metro P-Card policies and procedures.
4. Prepare and keep written detailed steps and procedures on P-Card reconciliation/report submission and consider having a back-up person to perform the task to ensure knowledge transfer when an employee leaves the agency.
5. Instruct all Purchase Card program participants to submit and approve the monthly statements and reconciliation package in a timely manner.

Communications

-
6. Remind staff to comply with Accounting Procedures and Guidelines for Check Requests (ACC-01); secure approval of V/CM for check requests over \$3,000 when exceptions are applicable.

Civil Rights, Racial Equity & Inclusion

7. Instruct staff to comply with the Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms prior to payment.

Information Technology Services

8. Consider creating a P-Card System desktop icon to assist P-Card officials and improve access to the P-Card approval database.

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 October 1, 2021 to December 31, 2021
(Report No. 22-AUD-06)

Attachment B: PowerPoint Presentation

Prepared by: Lorena Martinez, Assistant Auditor (Interim), (213) 244-7345
Asuncion Dimaculangan, Senior Auditor, (213) 244-7311
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

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