



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 20, 2023

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2022 TO
SEPTEMBER 30, 2022**

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, 2022 to September 30, 2022.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2022 to September 30, 2022. 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, 2022 to September 30, 2022. For this period, miscellaneous expenses totaled \$1,043,757 for 405 transactions. We selected 52 expense transactions totaling \$435,155 for testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2022, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found six instances of non-compliance with Employee Relocation Assistance (HR 42) and Travel and Business Expense (FIN 14) policies.

Recommendations

We recommend the following:

Corporate Safety

1. Review the identified TBE Report and available documentation to determine whether there were duplicate expenses reimbursed or if there were any costs incurred for personal reasons that were in excess of the lowest reasonable rate, which should be reimbursed by the traveler to Metro.

Corporate Safety & Planning and Development

2. Instruct staff to submit TBE Reports in a timely manner; monitor and track staff travel activity and their respective TBE reports.

Operations (Rail Vehicle Acquisition & Bus Acquisition)

3. Remind the traveler and Department Head to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
4. Instruct staff to submit TBE Reports in a timely manner, monitor and track staff travel activity and their respective TBE reports.

Human Capital and Development (Talent Acquisition), Operations (Wayside Systems) & Chief Safety Office (SSLE)

5. Instruct the new employee, the hiring Department Head, the Chief Safety Office, and the Executive Officer of Talent Management to thoroughly review the Employee Relocation Expense Worksheet and supporting documents for accuracy and completeness to ensure compliance with the Employee Relocation Assistance Policy (HR 42).

Human Capital and Development (Workforce Services)

6. Remind the Travel Program Administrator to thoroughly review TBE Reports for accuracy and completeness of documentation to ensure that the traveler is reimbursed correctly for legitimate business expenses.
7. Continue to remind travelers to submit the TBE Report in a timely manner and according to policy.
8. Consider declining any reimbursement after a two-week reminder notice following the 30-day submission deadline if not justified and approved for an extension.

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, 2022 to September 30, 2022 (Report No. 24-AUD-01)

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