



Board Report

File #: 2023-0505, **File Type:** Informational Report

Agenda Number: 10.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 20, 2023

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF OCTOBER 1, 2022 TO DECEMBER 31, 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 October 1, 2022 to December 31, 2022.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2022 to December 31, 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 October 1, 2022 to December 31, 2022. For this period, miscellaneous expenses totaled \$2,560,136 with 821

transactions. We selected 53 expense transactions totaling \$820,355 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the quarter of October 1 to December 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found most of the issues found during the audit were related to international travels of the employees. Among others, we found insufficient documentation and incorrect calculation of travel expenses, and more importantly, more costly lodging due to booking by travelers close to the scheduled event date and outside the Metro travel system. We believe if management plans ahead of time, especially for international trips, it will result in lower travel expenses and more efficient use of taxpayers' money.

We also found non-compliance with the Purchase Card policy where the P-Cardholder failed to secure receipts from the vendor.

The staff explained that their non-compliance was due to oversight, human error, and non-familiarity with the policy.

We were informed Metro's Travel and Business Expense policy is being updated and is being reviewed by the Chief Executive Officer.

- Fin 14 - Non-Travel Business Expenses (FIN 14) - Maintained by Finance
- Gen 65 - Metro Business Travel Guidelines - Maintained by Human Capital and Development - Travel Department

The Executive Officer, Administration of Workforce Services also informed us that they are in the process of upgrading the Travel System which they believe will address some of the issues identified in this audit. However, since the transactions we audited occurred before the new policies are in place or effective, we made the recommendations to address the above issues based on the policies effective for the period we reviewed.

RECOMMENDATIONS

We recommend the following:

Operations (Rail Vehicle Acquisition)

1. Instruct staff to submit complete documents to support all charges reported on the Travel and Business Expense (TBE) Report.
2. Require staff to submit a duly approved justification memo when lodging exceeds the allowable rate.
3. Require staff to submit TBE Reports in a timely manner.

-
4. The traveling employee and the Travel Program Administrator should thoroughly review the TBE Report to ensure accuracy of all expenses incurred during their travel.

Operations (Rail Fleet Services and Rail Vehicle Acquisition)

5. Management should plan and obtain approval for international travels more than 30 days in advance, to avoid costly travel expenses whenever possible.
6. Traveling employees should make travel arrangements for international trips more than 30 days in advance to secure the most reasonable rates whenever possible.

Community Relations

7. Require the traveling employees to review FIN 14 upon approval of the Travel Authorization Form or prior to travel. This requirement should be documented in the Department's internal files to ensure employees' familiarity and compliance with the policy.
8. Instruct employees to take the travel system training conducted by the Travel Program Administrator or a refresher course if they have not done so for several years.

Human Capital & Development (Workforce Services)

9. Review thoroughly the TBE Report for completeness of supporting documentation including the required justification memo.
10. Closely monitor business travels for which the TBE Report has not yet been submitted to ensure compliance with the policy.
11. Review thoroughly the TBE Report to ensure accuracy of all expenses incurred during the employee's travel.
12. Update FIN 14 to require staff to submit the justification memo for excess lodging prior to travel - both domestic and international.
13. Update FIN 14 to clearly set the policy for international trips including the policy on allowing a rest day for the traveling employees.
14. Update FIN 14 to specify the reasonableness of the tips allowed for reimbursement and/or specify a maximum tip/gratuuity amount that Metro will reimburse travelers for transportation cost.
15. Review the TBE Report to ensure that employees submit all valid reimbursable expenses that they incurred or are allowed.
16. Update FIN 14 to include a provision on extraordinary circumstances that would allow travelers to book accommodation outside of the travel system. Require a justification memo approved by the Executive Officer and Travel Program Administrator prior to travel if there are exceptions.
17. Consider updating the Travel Request and Authorization form to include a statement similar to the Travel and Business Expense form informing the traveler to read and understand Metro's Travel and Business Expense Policy FIN 14.

Information Technology Services

18. The P-Cardholder should secure receipts for all P-Card purchases regardless of the means of ordering goods.
19. The Approving Official and the Business Unit Coordinator should review completeness of documentation for all P-Card purchases.

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, 2022 to December 31, 2022 (Report No. 24-AUD-02)

Prepared by: 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