Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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FINANCE, BUDGET, AND AUDIT COMMITTEE
JANUARY 17, 2024

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2023 TO MARCH 31, 2023

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 January 1, 2023 to March 31, 2023.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2023 to March 31, 2023. 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 January 1, 2023 to March 31, 2023. For this period, miscellaneous expenses totaled $2,395,157 with 623 transactions. We selected 54 expense transactions totaling $1,134,346 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the quarter of January 1 to March 31, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues that were mostly related to business travels of Metro employees such as costly airfare due to travel arrangements made close to the event date, absence of a justification memo for lodging in excess of the allowable rate, and late submission of travel and business expense reports (TBE). Also, two employees failed to submit the required justification memos with their TBE reports for meals and use of a personal vehicle, as required by Metro policy.

The other issues we found were as follows: (a) Metro was overbilled in one invoice; (b) no written pre-approval prior to card purchase; (c) costly meals at a Metro event and invoice was paid after seven months; and (d) incorrect recording of transactions.

The staff non-compliance with the policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

RECOMMENDATIONS

We recommend the following:

Communications (Marketing)

1. Review the invoices thoroughly and verify the charges are accurate according to the contract.

Program Management (Program Control)

2. The Approving Official and Business Coordinator should check that all P-Card purchases are pre-approved in writing and remind the P-Cardholder about the policy.

Communications (Public Relations)

3. Monitor and review billings to ensure that they are paid on time and to avoid confusion in case of late payment. This will also ensure that expenses are recorded in the proper accounting period.

4. Consider adopting standard rates for meals to be served during the events.

5. Obtain written price quotes from more than one vendor to ensure that Metro gets the best reasonable price.

Operations Engineering

6. Management should plan and obtain approval for traveling as early as possible to avoid costly travel expenses.

7. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

8. Require staff to submit Travel and Business Expense Reports in a timely manner.

Program Management (Alternative Delivery Construction Management)

9. Remind the traveler to submit a justification memo prior to travel when requesting the use of their personal vehicle for non-local travel.

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Corporate Safety

10. Require the traveler to submit a justification memo when claiming full per diem rate when meals are included in the conference.

11. Consider reimbursement to Metro for the overpayment of meals and lodging expenses to the employee.

12. Require the traveler to submit a justification memo prior to travel if the lodging rate exceeds the approved rate and deny the TBE unless and until it is resolved.

13. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

14. The P-Cardholder and the Approving Official should ensure that transactions are recorded to the correct accounts.

15. The Approving Official should advise the P-Cardholder that the Professional Membership form is not required for professional certification.

Program Management (Construction/Engineering)

16. Require staff to submit TBE Reports in a timely manner.

17. Direct travelers to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65.

Human Capital and Development (Workforce Services)

18. Ensure completeness of supporting documents including any justification memo, as required in the policy.

19. Review the Travel and Business Expense Report and all supporting documents submitted by the traveler to ensure accuracy and completeness.

20. Notify the travelers if their approved travel expense/Travel Authorization changes and/or is different from what the travelers submitted, so they may adjust their travel arrangements to the authorized and approved travel costs for transportation, lodging, and other expenses; also, inform them that they will be reimbursed only for what was approved.

21. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

22. Require staff to submit Travel and Business Expense Reports in a timely manner.

23. Direct travelers and approving officials to read, review and comply with all the provisions of Metro's FIN 14 policy, now updated as GEN 65 - Metro Business Travel Guidelines.

Human Capital and Development (Talent Development)

24. Ensure that Professional Membership forms are approved for professional membership only, and not for professional certification.

Agency-Wide

25. TBE and P-Card approving officials should routinely review miscellaneous expenses. With additional training, it would likely increase the accuracy of the documents before submission to the business unit's Chief for approval.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute to cost savings, efficiency, and better internal controls.

EQUITY PLATFORM

It is OIG's opinion that there are no equity considerations or impacts resulting from 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 of January 1, 2023 to March 31, 2023 (Report No. 24-AUD-04)

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