



Board Report

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**FINANCE, BUDGET, AND AUDIT COMMITTEE
NOVEMBER 18, 2020**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD JANUARY 1, 2020 TO
MARCH 31, 2020**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2020 to March 31, 2020.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2020 to March 31, 2020. 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, 2020 to March 31, 2020. For this period, miscellaneous expenses totaled \$2,083,186 with 992 transactions. We selected 56 expense transactions totaling \$377,986 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of January 1, 2020 to March 31, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for seven of the expenses reviewed, requirements were not followed regarding the compliance with policies on purchase cards, travel and business expenses, and business meals. Some accounts were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the involved staff.

As stated in our previous report on the audit of miscellaneous expenses for the period October to December 2019, Metro is facing unprecedented financial challenges due to the Covid-19 pandemic. Because of the current financial situation, we recommend that miscellaneous expenses be strictly controlled to identify cost saving opportunities and eliminate unnecessary expenses.

Recommendations

Our recommendations include:

1. Requiring staff to attend Travel Business Expense Reimbursement and reservation training before travelling and be familiar with Metro's travel policy FIN14.
2. Comply with the Travel and Business Expense policy, even for travel funded by a non-company source and evaluate the need to renew memberships at this time consistent with OMB pandemic restrictions.
3. Continue to remind staff to submit the Purchase Card log and Electronic Travel reports on time.
4. Indicate details and other pertinent information when business meal expenses are incurred, in compliance with ACC-01. Evaluate and negotiate prices with vendors providing business meals to obtain the best reasonable price.
5. Work with Accounting to formulate a policy on business meal expenses during meetings to set a maximum meal allowance per attendee amount considering the GSA standards and local average costs..
6. Remind staff to perform a detailed review of Travel and Business Expenses and supporting documents to ensure reports are accurate, complete, and within applicable policies.

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.

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 January 1, 2020 to March 31, 2020 (Report No. 21-AUD-01)

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