



Board Report

File #: 2022-0453, **File Type:** Informational Report

Agenda Number: 15.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 14, 2022

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2022 TO MARCH 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 January 1, 2022 to March 31, 2022.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2022 to March 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 January 1, 2022 to March 31, 2022. For this period, miscellaneous expenses totaled \$759,388 with 335 transactions. We selected 46 expense transactions totaling \$328,800 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of January 1 to March 31, 2022 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found two instances of non-compliance with the Purchase Card policy: (a) no written pre-approval of purchases and (b) a restricted purchase was made.

The staff explained that their non-compliance was due to the urgency of the transaction where immediate payment was required.

The Office of the Inspector General provided recommendations to address the aforementioned issues.

Recommendations

We recommend that:

Finance and Budget

1. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

Operations (Maintenance and Engineering)

2. Instruct staff to review the Purchase Card policy and ensure that no restricted purchases are made through P-Card.

All Cost Centers

Instruct all employees to use their Metro's email address when they register for seminars or trainings that will be paid by Metro.

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 January 1, 2022 to March 31, 2022
(Report No. 23-AUD-01)

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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