



## Board Report

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**File #:** 2021-0451, **File Type:** Informational Report

**Agenda Number:** 15.

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**FINANCE, BUDGET, AND AUDIT COMMITTEE  
JULY 14, 2021**

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF  
OCTOBER 1, 2020 TO DECEMBER 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 of October 1, 2020 to December 31, 2020.

**ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2020 to December 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 October 1, 2020 to December 31, 2020. For this period, miscellaneous expenses totaled \$797,703 with 193 transactions. We selected 38 expense transactions totaling \$617,786 for detail testing.

**DISCUSSION**

## Findings

The miscellaneous expenses we reviewed for the period of October 1, 2020 to December 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 policies on Purchase Card, travel expenses, and employee relocation assistance. All were due to just inattention or unintentional human error. A couple of transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

## Recommendations

We recommend that:

### Human Capital and Development and Board Clerk

1. Document to the file permission to provide relocation expenses and enforce the provision of HR 42 for repayment by an employee who receives relocation benefits. Set forth in the clearance form for separating employees any amount that may be due Metro in cases of non-completion of the required minimum length of service unless an exemption circumstance set forth in the policy applies. Document the basis for any such exemption.
2. Continue to work with Information Technology Services Department to create automated reminders to travelers to submit their Travel and Business Expenses Report before the due date.

### Program Management

3. Continue to remind staff to submit Travel and Business Expense (TBE) Reports timely and accurately.
4. Require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN 14.

### Operations:

5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are approved in writing.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statement in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

### Planning and Development

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Metro's Accounting Department.

### **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**

Staff discussed this board report item with the Office of Equity and Race and the collective agreement is that no equity considerations or impacts were found in this quarter's audit. Staff will continue to consult with the Office of Equity and Race to identify any potential equity impacts in future report backs.

### **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, 2020 to December 31, 2020  
(Report No. 21-AUD-09)

Prepared by: Asuncion Dimaculangan, Senior Auditor, (213) 244-7311  
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301  
George Maycott, Sr. Director, Special Projects (Interim) (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

**Los Angeles County  
Metropolitan Transportation Authority  
Office of the Inspector General**

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**Statutorily Mandated Audit  
of Miscellaneous Expenses  
October 1, 2020 to December 31, 2020**

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Report No. 21-AUD-09

June 30, 2021



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**Metro**

**DATE:** June 30, 2021

**TO:** Metro Board of Directors  
Metro Chief Executive Officer

**FROM:** Yvonne Zheng, Senior Manager, Audit  
Office of the Inspector General

**SUBJECT:** Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses  
October 1, 2020 to December 31, 2020 (Report No. 21-AUD-09)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from October 1, 2020 to December 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.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on seven of the 38 expenses reviewed:

- Non-compliance with Employee Relocation Assistance Policy
- Metro was not repaid for relocation assistance given to employee who did not meet the required minimum length of service
- Non-compliance with Travel and Business Expense Policy
- Non-compliance with Purchase Card policy
- Transactions were recorded to incorrect accounts

## **OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT**

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures.
- Expenses had proper approval, receipts, and other supporting documentation.
- Policies and procedures were adequate and followed to ensure that expenses were documented and properly accounted for.

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2020 to December 31, 2020**

**Office of the Inspector General**

**Report No. 21-AUD-09**

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To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Human Capital and Development, Program Management, Planning and Development, Vendor Contract Management, Office of the Board Secretary, and Operations; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of October 1, 2020 to December 31, 2020. For this period, miscellaneous expenses totaled \$797,703<sup>1</sup> with 193 transactions. We selected 38 expense transactions totaling \$617,786 for detail testing. Twenty-seven of the expense transactions were randomly selected, four were selected due to their large dollar amounts, and seven were selected to add more samples for Miscellaneous – Others (Account 50999) and to sample other accounts. See Attachment A for details.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

## **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.

## **RESULTS OF AUDIT**

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues on the following seven transactions:

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<sup>1</sup> This total does not include transactions that were \$200 or less, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2020 to December 31, 2020**

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**1. Non-Compliance with Employee Relocation Assistance Policy**

An employee received \$12,972 as relocation assistance when hired. The Relocation Assistance Policy or HR 42 states: “*The Chief Executive Officer is responsible for approving all relocation agreements.*” The Employee Relocation Assistance Authorization Form was reviewed and approved by the DEO, Human Resources, Talent Acquisition, and signed by the Executive Officer, Talent Management. However, the form was not signed.

The Deputy Executive Officer, Human Resources, explained that it was verbally approved; hence, no written approval for relocation assistance was provided.

We recommend that Human Capital & Development (HC&D) Department make a note to the employee’s file of the approval specifics, e.g. who approved, when approved, and other details related to the approval, when an approval is made verbally and/or an appropriate approving authority is unavailable to sign a form.

**2. Metro Was Not Repaid for Relocation Assistance Given to Employee Who Did Not Meet the Required Minimum Length of Service**

We reviewed the relocation assistance given to a former employee in September 2019. She received \$6,020 as reimbursement for moving expenses. The employee worked with Metro less than one year, which is the required minimum time of service to obtain relocation assistance according to the policy.

Based on HR 42, “*if the employee’s employment with LACMTA terminates prior to completing one year of service, for reasons other than death, prolonged illness, disability, reduction in force or organization change, the employee will be required to repay full reimbursed relocation expenses within one calendar year from the date of separation.*”

Our audit found that the relocation amount was not deducted from the former employee’s last pay check and she did not repay Metro for the moving expenses received in 2019. The DEO, Human Resources and others questioned, stated they were not advised of any circumstances that might make the amount exempt from repayment according to the policy.

We obtained the clearance order and found that the form did not list the relocation amount that the former employee is required to repay to Metro. Thus, no deduction was made from the final paycheck.

Human Resources should contact the former employee’s manager to ensure there is no circumstance that would qualify for an exemption under the policy, and then contact the former employee to inform her of the requirement to repay the relocation assistance expenses according to HR 42. HR should ensure in the future that the clearance form indicates any



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amount that may be due Metro in cases of non-completion of the required minimum length of service by employees who benefit from relocation assistance.

**3. Non-Compliance with Travel and Business Expense Policy**

A DEO, Project Management traveled to Cheyenne, Wyoming from September 13 to 16, 2020 to inspect and participate in factory acceptance testing of a new part to be used in a Metro construction project. He submitted his Travel & Business Expense (TBE) report for \$862.88 with reimbursable expenses of \$312.49 on December 1, 2020 which was more than a month late.

Section 1.2.1 of the Travel & Business Expense Policy (FIN 14) states: *“The TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

The employee explained that this was his first trip as a Metro employee, and first time going through the reimbursement process. At the time, he was unaware of the 30-day limitation. He added that he had since completed other trips and submitted requests for reimbursement within a timely manner, and in accordance with Metro’s policy.

While this TBE was not significantly late, it is important that TBE reports are submitted in a timely manner in order for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated. Furthermore, the possibilities of errors and omission or loss of receipts may increase if the employee submits the TBE report months after his/her travel. Management should continue to encourage employees to attend the training on TBE reporting and remind them of the need to read and comply with Metro’s travel policy FIN14 before they travel.

In our prior audit report – *Statutorily Mandated Audit of Miscellaneous Expenses for the period July 1 to September 30, 2020 (Report No. 21-AUD-06, March 26, 2021)*, we recommended that the Travel Program Administrator continue to work with Information Technology Services (ITS) to create additional program features in the travel system that will generate a “late filers” report and automatically send a reminder to travelers to submit their Travel and Business Expense report on the due date, if they have not yet done so. The department continues to work with ITS to create automated reminders to travelers.

**4. Non-Compliance with Purchase Card Policy**

**a. No Written Pre-Approval of Purchases**

Cost Center 3240 (Central Instruction - Operations) purchased web cameras, and wireless headset systems for \$848. We asked the Purchase Cardholder to provide us with the written pre-approval of said purchases. However, the Cardholder stated that the purchases were

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just verbally requested and pre-approved. There was no written request to the supervisor approver such as an email nor was there a pre-approval in writing.

The P-Card policy requires that the *“Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc.”*

The Approving Official stated that he will prepare a written pre-approval and send an email to the Cardholder to specify what purchases are routinely authorized. Thus, only “exception” purchases would need individual written pre-approval.

The Cardholder and Approving Official should be aware of the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

**b. Late Approval of Purchase Card Reconciliation Package**

The P-Card policy requires approvers to electronically approve all of their assigned cardholder’s monthly statement reconciliations. When cardholders submit their reconciliation for review and approval, the approver will receive an email notification generated by the system to review and approve the reconciliation.

A Cardholder in Cost Center 3910 (Maintenance & Engineering) submitted the October Purchase Card log and supporting documents for \$562.97 on October 29, 2020. However, it was electronically approved by the Manager on November 25, 2020, ten days later than the P-Card policy requires. The P-Card log/package should be approved and forwarded to Accounting by the 15<sup>th</sup> of the following month (i.e., November 15, 2020).

The approving official explained that she receives an average of at least 150 emails daily and forgot about the notification email for October P-Card approval due to her workload.

The delay in approving the P Card in this instance was insignificant. However it is important that the P-Card summary and reconciliation package are submitted and approved in a timely manner to closely monitor the department’s expenditures and budgets. All program participants involved in the reconciliation process should be reminded of the importance of ensuring a timely submittal and approval of the monthly statement.

**5. Transactions Recorded to Incorrect Accounts**

**a. Office Supplies/Expendable Equipment Erroneously Recorded to Miscellaneous Expenses**

Cost Center 3240 (Central Instruction - Operations) purchased an electric standing desk, file cabinets and a table with their P-Card for \$1,856.03. The purchase was made following

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the recommendations given by Corporate Safety based on the employee's ergonomic assessment.

The transaction was charged by the Cardholder to account number 50999 – Miscellaneous expenses, instead of account number 50436 – Office Supplies/Expendable Equipment. The latter is described in the Chart of Accounts as expenses for all office supplies and expendable equipment that are not capitalized and tracked for control purposes, plus expenses for all office furniture and traceable equipment such as tables, chairs, cabinets, adding machines, calculators, fax machines, typewriters, copiers, and others. The Cardholder explained that she must have missed the correct account code.

The Cardholder and Approving Official should ensure that purchases are charged to the proper account.

**b. Security Services Incorrectly Charged to Miscellaneous Expenses**

A check payment for security services for the LA Union Station Forecourt and Esplanade Improvements utility survey project for \$21,515.91 was made in December 2020. The transaction was charged by a Manager, Transportation Planning, to account number 50999 – Miscellaneous expenses, instead of account number 50320 – Contract Services which includes security services, among others. She explained that the activities of the project were classified as miscellaneous; hence, she used the miscellaneous expense account in their payment to the vendor. The department has coordinated with Accounting to correct the account.

Staff should be reminded to check the Chart of Accounts or consult with Metro's Accounting Department to ensure that the correct accounts are used in all transactions.

**6. Observation on Various Miscellaneous Expenses**

In the course of our audit, we had the following observations:

**a. Payment Made to Incorrect Vendor**

Our audit sample included a reversal of account number 50915 – Seminars and Conferences – in November 2020. Our inquiry with Accounting disclosed that the credit of \$5,000 was a reclassification of a refund of the amount erroneously paid to the wrong vendor. The correct vendor has an almost identical name.

Based on accounting records, in February 2020, the Financial Analyst of Treasury Department submitted the check request for participation in 2020 Los Angeles Regional Investors Conference. The invoice attached to the electronic check request indicated the correct payee vendor name. However, due to similarity in the name of two vendors, the

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Analyst inadvertently selected the wrong vendor when she submitted the electronic check request. It was approved by then Treasurer and the Chief Financial Officer.

The wrong vendor who received the funds has now refunded the overpaid \$5,000 in March 2020 which was initially credited by Accounting to a suspense account, and later reclassified to the correct account in November 2020.

The staff initiating and approving the Electronic Check Request Form should ensure the accuracy of the request by checking the details and supporting documents for payment. Whenever possible, a requesting cost center should provide the vendor number in addition to the name of the vendor to the Accounting Department to assist in avoiding this type of error.

**b. Moratorium on Miscellaneous Expenses Ended on October 1, 2020**

On April 20, 2020, the former Chief Executive Officer instructed the Senior Leadership Team to implement immediate cost saving actions and one of them is to cease expenditure in travel, seminar, business meals, training, membership, advertising, and other miscellaneous expenses. An inter-office memo was issued with the subject "Immediate Cost Reduction Actions through October 1, 2020."

With the moratorium in place through October 1, 2020, we saw a significant reduction in the aforementioned expenditures. An update or extension of the moratorium on spending in these areas was not exercised by Metro management beyond October 2020. We observed that miscellaneous expenses on the reviewed accounts increased from \$484,000 to \$798,000 – an increase of \$314,000 or 65% over the prior quarter. It appears the additional expenditures in these accounts were for legitimate and necessary business operations during the observed period.

## **CONCLUSION**

The miscellaneous expenses we reviewed for the period of October 1, 2020 to December 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 policies on Purchase Card, travel expenses, and employee relocation assistance. All were due to just inattention or unintentional human error. A couple of transactions were recorded to incorrect accounts, which were corrected after we brought the issue to the attention of Accounting and the staff involved.

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2020 to December 31, 2020**

**Office of the Inspector General**

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## **RECOMMENDATIONS**

We recommend that:

### Human Capital and Development and Board Clerk

1. Document to the file permission to provide relocation expenses and enforce the provision of HR 42 for repayment by an employee who receives relocation benefits. Set forth in the clearance form for separating employees any amount that may be due Metro in cases of non-completion of the required minimum length of service unless an exemption circumstance set forth in the policy applies. Document the basis for any such exemption.
2. Continue to work with Information Technology Services Department to create automated reminders to travelers to submit their Travel and Business Expenses Report before the due date.

### Program Management

3. Continue to remind staff to submit Travel and Business Expense (TBE) Reports timely and accurately.
4. Require staff to attend TBE training before travelling and be familiar with Metro's travel policy FIN 14.

### Operations:

5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are approved in writing, whether in advance or not.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statement in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

### Planning and Development

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Metro's Accounting Department.

**Statutorily Mandated Audit of Miscellaneous Expenses  
October 1, 2020 to December 31, 2020**

**Office of the Inspector General**

**Report No. 21-AUD-09**

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## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On June 23, 2021, we provided Metro Management a draft report. On June 29, 2021, the management completed their responses that summarized their corrective actions, as shown in Attachment B.

## **OIG EVALUATION OF MANAGEMENT RESPONSE**

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

**Summary of Sampled Expenses Audited  
October 1, 2020 to December 31, 2020**

| <i>Account</i> | <i>Account Description</i>         | <i>Total Amount</i>     | <i>Sample Amount</i>     |
|----------------|------------------------------------|-------------------------|--------------------------|
| 50213          | Training Program                   | \$ 10,561               | \$ 9,238                 |
| 50903          | Business Meals                     | 28,743                  | 28,000                   |
| 50905          | Corporate Membership               | 204,424                 | 165,092                  |
| 50908          | Employee Relocation                | 12,972                  | 12,972                   |
| 50910          | Mileage and Parking                | 1,520                   | 760                      |
| 50912          | Professional Membership            | 10,979                  | 1,214                    |
| 50914          | Schedule Checkers Travel           | 3,022                   | 278                      |
| 50915          | Seminar and Conference Fee         | (12,636)                | (1,410)                  |
| 50917          | Business Travel                    | 1,406                   | 745                      |
| 50918          | Advertising                        | 232,556                 | 158,771                  |
| 50930          | Employee Activities and Recreation | 0                       | 0                        |
| 50999          | Other Miscellaneous Expenses       | <u>304,156</u>          | <u>242,126</u>           |
|                | <b><i>Total</i></b>                | <b><u>\$797,703</u></b> | <b><u>\$ 617,786</u></b> |

*Account number 50915 (Seminar/Conference Fee) had a negative balance because of various credit adjustments made to adjust the entries in the prior quarter and to record the credit/refund received during the current quarter.*

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

|         |   |
|---------|---|
| Date    | June 29, 2021   |
| To      | Yvonee Zheng<br>Senior Manager, Audit<br>Office of Inspector General  |
| From    | Patrice McElroy<br>Interim Chief Human Capital &<br>Development Officer <i>Patrice McElroy</i>                                  |
| Subject | Statutorily Mandated Audit of Metro<br>Miscellaneous Expenses October 1,<br>2020 to December 31, 2020<br>(Report No. 21-AUD-09) |

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that 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 for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see below our responses to the Recommendations.

#### **Recommendations**

1. Document to the file permission to provide relocation expenses and enforce the provision of HR 42 for repayment by an employee who receives relocation benefits. Set forth in the clearance form for separating employees any amount that may be due Metro in cases of non-completion of the required minimum length of service unless an exemption circumstance set forth in the policy applies. Document the basis for any such exemption.

**Response:** Staff concurs with the recommendation and will document approval to provide relocation assistance and/or exceptions to HR 42. Staff will continue to work with the department representatives to properly complete the clearance order form for separating employees to ensure any amount that may be due to Metro is indicated. The corrective action plan has been implemented and staff will continue forward with this process as part of our practice.



## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

2. Continue to work with Information Technology Services (ITS) Department to create automated reminders to travelers to submit their Travel and Business Expenses (TBE) Report before the date.

**Response:** Staff concurs with the recommendation and will continue to work with ITS in creating automated reminders to travelers to submit their TBE Reports before the due date. Corrective action plan is estimated to be completed by September 31, 2021.

The Travel Program Administrator will continue to work with ITS to create additional program features in the travel system that will generate a "late filers" report and automatically send a reminder to travelers to submit their TBE report on the due date, if they have not yet done so. The department continues to work with ITS to create automated reminders to travelers.

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

|                |   |
|----------------|---|
| <b>Date</b>    | June 24, 2021   |
| <b>To</b>      | Yvonne Zheng<br>Sr Manager, Audit                                   |
| <b>From</b>    | Bryan Pennington <i>BWP</i><br>Chief Program Mgmt Officer (Interim) |
| <b>Subject</b> | Response to OIG Audit No. 21-AUD-09                                 |

This memo is in response to the Office of the Inspector General audit, 21-AUD-09, which found Program Management noncompliant with Metro Policy FIN-14 Travel and Business Expense (TBE), due to late submission of an expense report. Program Management agrees with the Office of the Inspector General (OIG) recommendations to remind staff that business related travel expense reports must comply with Metro's policy FIN-14 TBE, and to require staff to attend training before traveling.

Program Management's corrective actions are:

1. An interoffice memo was sent via email on December 17, 2020, reminding all staff that business related travel expense reports must comply with Metro's policy FIN-14 Travel and Business Expense. A reminder memo will be sent to staff by September 30, 2021.
2. Program Management is working with the Travel office to arrange a FIN-14 TBE virtual training to occur during first quarter of FY22.

Please contact me at x27449 if you would like to discuss or require additional information.

Attachments:

December 17, 2020 Interoffice Memo to Program Management Staff.

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

|                |  |
|----------------|--|
| <b>Date</b>    | December 17, 2020  |
| <b>To</b>      | Program Management Staff   |
| <b>From</b>    | Richard F. Clarke <i>RFC</i><br>Chief Program Management Officer |
| <b>Subject</b> | Travel and Business Expense Policy FIN 14                        |

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Metro's Office of the Inspector General recently conducted an audit and found Program Management noncompliant with Metro Policy FIN 14 Travel and Business Expense. This is the second occurrence of noncompliance with the Travel and Business Expense policy. I am reminding staff that all business-related travel and corresponding expense reports must comply with Metro Policy FIN 14 Travel and Business Expense which requires expense reports be submitted to the Travel Program Administrator within 30 days of returning from travel.

For more details, please refer to the attached policy and for assistance completing the forms, please reach out to Metro's Travel Administrator at x22185.

Attachment:  
Policy FIN 14

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

|                |  |
|----------------|--|
| <b>Date</b>    | June 24, 2021  |
| <b>To</b>      | Karen Gorman<br>Inspector General  |
| <b>From</b>    | James T. Gallagher<br>Chief Operations Officer   |
| <b>Subject</b> | Management Response to the Audit of<br>Metro Miscellaneous Expenses (Report # 21-<br>AUD-09) |

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from October 2020 - December 2020 in the Bus Transportation and Maintenance & Engineering units within Operations. The report includes the following recommendation:

5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are approved in writing, whether in advance or not.

**Response:** Agree; Bus Transportation's Operations Central Instruction (CC 3240) program participants have been advised of the P-Card pre-approval policy. The Cardholder and Approving Official are aware of routine purchases and that any exception purchases should only be made with pre-approvals in writing, in advance of such purchases.

6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statement in a timely manner.

**Response:** Agree; all Operations Maintenance & Engineering Executive Office (CC 3910) program participants involved in the reconciliation process will be advised to submit and approve monthly statements in a timely manner.

7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

**Response:** Agree; Bus Transportation's Operations Central Instruction (CC 3240) program participants will be advised to charge P-Card purchases to the proper accounts.

CC: Yvonne Zheng, Sr. Mgr., Audit  
 Asuncion (Susie) Dimaculangan, Senior Auditor  
 Diane Corral-Lopez, EO, Operations Administration  
 Diane Frazier, Sr. EO, Bus Transportation (Interim)  
 Errol Taylor, Sr. EO, Maintenance & Engineering  
 Demetrius Jones, Director, Transportation Operations  
 Nancy Alberto-Saravia, Director, Finance & Administration

## Management Comments to Draft Report



**Metro**

### Interoffice Memo

|                |  |
|----------------|--|
| <b>Date</b>    | June 29, 2021  |
| <b>To</b>      | Yvonne Zheng, Senior Manager<br>Audit Office of the Inspector General                    |
| <b>From</b>    | James de la Loza, Chief Planning Officer<br>Countywide Planning & Development <i>JLB</i> |
| <b>Subject</b> | Response to Audit Report No. 21-AUD-09,<br>Results of Audit 5(b)                         |

#### Audit Report Issue

In the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses 1, 2020 to December 31, 2020 (Report No. 21-AUD-09), the audit results found the following issue for Countywide Planning & Development:

#### ***5(b) Transactions Recorded to Incorrect Accounts (Security Services Incorrectly Charged to Miscellaneous Expenses)***

A check payment for security services for the LA Union Station Forecourt and Explanade Improvements utility survey project for \$21,515.91 was made in December 2020. The transaction was charged by a Manager, Transportation Planning, to account 50999 – Miscellaneous expenses, instead of account number 50320 – Contract Services which includes security services among others. She explained that the activities of the project were classified as miscellaneous; hence she used the miscellaneous expense account in their payment to the vendor.

#### **Countywide Planning & Development Response**

Countywide Planning & Development has coordinated with Accounting to correct the charge account from 50999 – Miscellaneous expenses to 50320 – Contract Services on June 14, 2021. The correction is reflected in the June 2021 Journal Report, under Batch Payables A 1288817 24208508 and Journal Entry 28455069 Purchase Invoices USD. Countywide Planning & Development's accounts payable team members have also been reminded at our team meeting on June 2, 2021 to check the Chart of Accounts or consult with Accounting to ensure that the correct accounts are used in all transactions.

| Journals (MTA) - 2101 4530 50320 405557.000000 JUN-21->JUN-21 |                                |               |        |      |               |                |
|---|--------------------------------|---------------|--------|------|---------------|----------------|
| Balance Type  | Actual                         | Currency Type | Total  |      |               |                |
| Batch   | Journal Entry                  | Source        | Entere | Line | Entered Debit | Entered Credit |
| Payables A 1288817 24208508                                   | 28455069 Purchase Invoices USD | Payables      | USD    | 3    | 0.00          |                |
| Payables A 1288817 24208508                                   | 28455069 Purchase Invoices USD | Payables      | USD    | 4    | 21,515.91     |                |

## Final Report Distribution

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### Board of Directors

Kathryn Barger  
Mike Bonin  
James Butts  
Jacquelyn Dupont-Walker  
Eric Garcetti  
Janice Hahn  
Paul Krekorian  
Sheila Kuehl  
Holly Mitchell  
Ara Najarian  
Fernando Dutra  
Hilda Solis  
Tim Sandoval  
Anthony Tavares

### Metro

Chief Executive Officer  
Chief of Staff  
Board Clerk  
Inspector General  
Chief Finance Officer  
Chief Human Capital & Development Officer (Interim)  
Chief Operations Officer  
Chief Planning Officer  
Chief Program Management Officer (Interim)  
Chief Vendor/Contract Management Officer  
Executive Officer, Finance/Controller  
Executive Officer, Administration  
Audit Support Manager  
Manager, Records & Information Management

# **Audit of Miscellaneous Expenses October to December 2020**

*OIG Report No. 21-AUD-09*

Karen Gorman, Inspector General

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July 14, 2021



# Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures.
- Expenses had proper approval, receipts, and other supporting documentation.
- Policies and procedures are adequate to ensure that expenses are documented and properly accounted for.





# Results

Based on our sample review for the covered period, the expenses incurred generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for seven of the expenses reviewed, policy requirements were not followed for Purchase Card, travel expenses, and employee relocation assistance. All were due to just inattention or unintentional human error.

We made eight recommendations to improve the monitoring and payment of Metro miscellaneous expenses.

