

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses for the Period  
July 1, 2018 to September 30, 2018**

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**Report No. 19-AUD-09**

**April 23, 2019**



# **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	1
OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT .....	1
BACKGROUND .....	2
RESULTS OF AUDIT .....	2
Expenses for Sponsorships were Charged to the Incorrect Account .....	3
CONCLUSION .....	4
RECOMMENDATIONS .....	4
MANAGEMENT COMMENTS TO RECOMMENDATIONS .....	4
OIG EVALUATION OF MANAGEMENT RESPONSE .....	4
ATTACHMENTS	
A. Summary of Sampled Expenses Audited .....	5
B. Copy of Management Comments to Draft Report .....	6
C. Final Report Distribution .....	8


**Statutorily Mandated Audit of Miscellaneous Expenses for the Period  
July 1, 2018 to September 30, 2018**

**Office of the Inspector General** **Report No. 19-AUD-09**

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**DATE:** April 23, 2019

**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  
From July 1, 2018 to September 30, 2018 (Report No. 19-AUD-09)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2018 to September 30, 2018. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) including its Board of Directors 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 found that two expense transactions for sponsorships were incorrectly charged to Account 50905 – Corporate Memberships instead of Account 50999 – Miscellaneous Expenses - Others.

## **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 approvals, receipts, and other supporting documentation.
- Policies and procedures are adequate to ensure that expenses are documented and properly accounted for.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period  
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To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed appropriate staff in Accounting and other departments, and
- Reviewed a sample of expenses for the period of July 1, 2018 to September 30, 2018 to determine if expenses incurred were reasonable, properly approved, and supported by required documentation (i.e. invoices, receipts, and justification memos).

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2018 to September 30, 2018. For this period, miscellaneous expenses totaled \$2,777,785.74.<sup>1</sup> We selected 35 expense transactions totaling \$842,234.41 for detail testing. Thirty of the expense transactions were randomly selected, and the remaining 5 were judgmentally selected due to their large dollar amount. 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions 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 payments 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 found that two expenses for sponsorships were incorrectly charged to Account 50905 – Corporate Memberships instead of Account 50999 – Miscellaneous Expenses-Others.

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

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period  
July 1, 2018 to September 30, 2018**

**Office of the Inspector General**

**Report No. 19-AUD-09**

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**Expenses for Sponsorships were Charged to the Incorrect Account**

Under Metro’s Chart of Accounts, it states: “*Account 50905: Misc – Corporate Membership – for membership fees or dues paid wherein Metro is a member in public transportation related organizations. This account excludes professional membership fees or dues paid by Metro for its employees.*”

We found that two expense transactions for corporate sponsorships were incorrectly charged to “Account 50905 – Corporate membership” instead of “Account 50999 – Miscellaneous Expenses-Others,” which includes expense transaction for community outreach and sponsorships.

1. In August 2018, the Board Relations, Policy and Research Department paid \$5,000 for Sponsorship of the 2018 Mayoral Housing, Transportation, and Jobs Summit. This expense was incorrectly charged to Account 50905, which should be used only for corporate membership expenses. When we inquired why the sponsorship expense was charged to Account 50905, cost center staff informed us that in FIS, it stated that Account 50905 could be used for corporate memberships or sponsorships. We advised the cost center that FIS has been updated and now Account 50905 is used only for corporate memberships. The cost center advised that in the future they will use Account 50999 for corporate sponsorships.
2. In August 2018, the Risk Management Department paid \$5,000 for Sponsorship of METRANS 20<sup>th</sup> Anniversary Dinner Celebration. The department correctly charged this expense to Account 50999. Subsequently, Accounting reversed the expense transaction from Account 50999 and incorrectly charged it to Account 50905. When we inquired why the sponsorship expense was charged to Account 50905, accounting staff stated that at that time in FIS, it showed Account 50905 could be used for corporate memberships or sponsorships.

In a prior audit report,<sup>2</sup> we reported a similar issue that another department incorrectly charged sponsorship expense in Account 50905. We found that this occurred because information for Account 50905 in FIS was not updated to accurately reflect Metro’s current Chart of Accounts, which states that Account 50905 is only for corporate memberships, and expenses for community or business outreach including sponsorship are charged to Account 50999. When we brought this to the attention of the Executive Officer, Finance/Controller, he immediately asked his staff to update FIS. The FIS system was updated in September 2018. We found that the two transactions mentioned above were processed before the Accounting Department corrected FIS in September 2018.

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<sup>2</sup> Report No 19-AUD-02: Statutorily Mandated Audit of Miscellaneous Expense for the Period July 1, 2017 to September 30, 2017, November 21, 2018

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period  
July 1, 2018 to September 30, 2018**

**Office of the Inspector General**

**Report No. 19-AUD-09**

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## **CONCLUSION**

We found that Metro miscellaneous expenses reviewed for the period of July 1, 2018 to September 30, 2018 generally complied with policies, and were reasonable and adequately supported with required documents. However, two expenses for sponsorship were incorrectly charged to Account 50905 – Corporate Memberships instead of Account 50999 – Miscellaneous Expenses-Others. This occurred before the FIS system was corrected.

## **RECOMMENDATIONS**

We recommend that the Accounting Department should:

1. Remind accounting staff that the description of sponsorship expenses in FIS has been updated, and these expenses should be charged to Account 50999 – Miscellaneous Expenses- Others.
2. Continue reviewing sponsorship expenses to ensure they are charged to the correct account (i.e., Account 50999).
3. Consider correcting the two expense transactions related to payments for sponsorship so that the charges are accurately reflected to FIS Account 50999.

## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On April 1, 2019, we provided Metro Management a draft report. On the same day, management completed a response that agreed with the recommendations in the report (see Attachment B).

## **OIG EVALUATION OF MANAGEMENT RESPONSE**

Management’s proposed corrective actions 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 or planned.

**Summary of Sampled Expenses Audited  
For the Period from July 1, 2018 to September 30, 2018**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 38,630.62	\$ 0
50903	Business Meals	74,993.87	490.82
50905	Corporate Membership	325,899.70	153,840.00
50908	Employee Relocation	39,762.42	0
50910	ER Mileage / Parking	2,481.97	0
50912	Professional Membership	29,657.25	0
50914	Schedule Checkers	2,261.31	0
50915	Seminar and Conference Fee	135,873.26	3,110.00
50917	Business Travel	159,740.65	2,821.55
50918	Advertising	1,513,064.99	601,756.48
50999	Other Miscellaneous Expenses	<u>455,419.70</u>	<u>80,215.56</u>
	<b><i>Totals</i></b>	<b><u>\$ 2,777,785.74</u></b>	<b><u>\$ 842,234.41</u></b>

## Copy of Management Comments to Draft Report



**Metro**

### Interoffice Memo

<b>Date</b>	April 1, 2019
<b>To</b>	Yvonne Zheng Senior Manager, Audit, Office of Inspector General
<b>From</b>	Jesse Soto <i>Jesse Soto</i> Executive Officer, Finance/Controller, Accounting
<b>Subject</b>	Draft report: Statutorily Mandated Audit of Miscellaneous Expense (Report No. 19- AUD-09)

#### OVERVIEW

We have reviewed the results of the subject audit report and concur with the recommendation in the report.

We recognize that corrective action must be taken to ensure that expenses for sponsorship are correctly recorded in account 50999 – Miscellaneous Expenses-Others.

#### PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. Remind accounting staff that the description of sponsorship expenses in FIS has been updated, and these expenses should be charged to Account 50999– Miscellaneous Expenses-Others.

Management Response: Agree

The Senior Director of Accounting will continue to remind the Accounts Payable staff that sponsorship expenses should be charged Account 50999– Miscellaneous Expenses-Others.

2. Continue reviewing sponsorship expenses to ensure they are charged to correct account (i.e., Account 50999).

Management Response: Agree

As stated in recommendation above, the Senior Director of Accounting will continue to ensure that sponsorship expenses are charged to account # 50999 Account 50999– Miscellaneous Expenses-Others.

3. Consider correcting the two expense transactions related to payments for sponsorship so that charges are accurately reflected in FIS Account 50999.



## Copy of Management Comments to Draft Report

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Management Response: Agree

The Senior Director of Accounting will work with the Accounts Payable Staff to correct the two payments related to sponsorship in FIS to Account 50999. To be corrected on or before April 30, 2019.

Should you have any questions regarding the response to this report, please feel free to contact me.

CC: Nalini Ahuja, Chief Financial Officer, Finance and Budget  
Juan Cordero, Senior Director of Accounting  
Juliet Glindro, Manager, Accounting

## Final Report Distribution

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### Board of Directors

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Board Secretary  
Executive Officer, Finance/Controller  
Chief Policy Officer  
Chief Auditor  
Audit Support Manager  
Manager, Records & Information Management