

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
April 1 to December 31, 2015**

Overall, the expenses we reviewed were reasonable, supported by documentation, and complied with policies. However, some of the travel authorizations we reviewed did not have a justification memo required by Metro policy.

Report No. 16-AUD-08

June 10, 2016



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Metro


Los Angeles County
Metropolitan Transportation Authority

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DATE: June 10, 2016

TO: Metro Chief Executive Officer
Metro Board of Directors

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

SUBJECT: Statutorily Mandated Audit of Miscellaneous Expenses for the Period
April 1 to December 31, 2015,
Report No. 16-AUD-08

INTRODUCTION

The Office of the Inspector General (OIG) performed a statutorily mandated audit of miscellaneous expenses for the period of April 1, 2015, through December 31, 2015. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires that the Inspector General report to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses including travel, training, meals and refreshments, private club dues, membership fees and other charges, and any other expenditures which are specified by the authority (see Attachment A for a list of accounts audited).

Our audit found that overall, the expenses we reviewed were reasonable, supported by documentation, complied with policies, and were charged to the appropriate General Ledger Account. However, some of the travel authorizations reviewed did not have a justification memo required by Metro policy.

OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT

The objectives of the audit were to determine whether Metro's miscellaneous expenses incurred were:

- Reasonable and in accordance with Metro policies and procedures;
- Adequately supported with receipts, proper approvals, and other appropriate documentation; and
- Charged to the appropriate account as defined in the Metro Chart of Accounts.

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The total expenses subject to this audit were \$3,497,791.¹ We selected 31 expenses totaling \$133,759 for review (see Attachment A).

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

- Obtained and reviewed Metro’s policies: Travel and Business Expenses (FIN-14), Purchase Card (P-Card) Program, Check Request (ACC-01);
- Reviewed the appropriate definitions in the Metro Chart of Accounts;
- Reviewed a statistical sample of all expenses, and supporting documents such as receipts, invoices, Travel and Business Expense (TBE) Report, and other documents for testing; and
- Contacted appropriate officials in Accounting, and other Departments to clarify issues related to this audit as needed.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, and 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 according to our audit objectives.

BACKGROUND

Metro Policy FIN 14, for Travel and Business Expense, requires a detailed justification memo to be submitted for travel authorizations with the Travel Request/Authorization Form (TA Form, ACCT-147). Paragraph 1.1.4 states:

“Trip documentation such as conference schedules, completed registration forms and mailing envelopes, business itineraries as well as a detailed travel justification memo must be attached. ...”

In addition, the TA form itself, in the area for “Purpose” includes the statement “Attach Written Justification.”

RESULTS OF AUDIT

Our audit found that the 31 sampled expenses totaling \$133,759 were generally reasonable, supported by receipts or other documentation, complied with policies and were charged to the appropriate General Ledger Account. However, we found that 6 of 12 expenses related to travel

¹ These totals do not include transactions that were \$200 or less, credit amounts, and transactions incurred by the OIG or the Ethics Department.

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did not have a written justification memo attached as required by Metro policy. The justification memo is an important control to assure that all travel is justified.

We discussed this matter with the Travel Program Administrator who stated that the previous Administrator indicated that Metro only needed a travel justification memo when an agenda was not provided. The Administrator later became aware that a justification memo was always needed as specified in FIN 14, as a result of a previous audit by the OIG. The Administrator advised us that, during the time period covered by our audit, some may have slipped through without the justifications. Currently, they are working on revising the form to either have a bigger box to indicate the purpose or possibly modernizing the entire process by going electronic. Since becoming aware of this requirement, the Administrator has re-enforced that a justification memo be attached to every approved TA form.

Our prior report² on Business Travel Expenses (Report No. 16-AUD-07) covering a previous period also identified the lack of justification memos attached to the travel authorizations and made recommendations for corrective action. Therefore, this report does not contain any new recommendation.

² We issued a draft report to management on June 1, 2016, and are awaiting management's response to the recommendations.

Summary of Expenses Audited

For the Period April 1, 2015 to December 31, 2015

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$ 236,982	\$ 36,156
50903	Business Meals	165,525	4,892
50908	Employee Relocation*	252,893	0
50910	Mileage / Parking	34,169	221
50914	Schedule Checkers	4,597	202
50915	Seminar and Conference Fee	253,782	4,156
50917	Business Travel	925,768	15,075
50930	Employee Activities and Recreation*	18,218	0
50999	Other Miscellaneous Expenses	<u>1,605,857</u>	<u>73,057</u>
Totals		<u>\$ 3,497,791</u>	<u>\$ 133,759</u>

The above amounts do not include transactions that were \$200 or less, credit adjustments, and expenses incurred by the OIG or the Ethics Department.

* The random selection process did not result in selection of an item in this account.

Final Report Distribution

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