

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
July 1, 2012 to September 30, 2012**

Report No. 13-AUD-08

April 1, 2013



TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
OBJECTIVES, METHODOLOGY, AND SCOPE OF AUDIT	1
INTERNAL CONTROL ISSUES IDENTIFIED IN PRIOR AUDIT	2
RESULTS OF AUDIT	3
ATTACHMENT A – Summary of Expense Audited	4
ATTACHMENT B – Final Report Distribution	5



Metro

**Los Angeles County
Metropolitan Transportation Authority**

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DATE: April 1, 2013

TO: Board of Directors
Chief Executive Officer

FROM: *Jack Shigetomi*
Jack Shigetomi
Deputy Inspector General - Audits

SUBJECT: Draft Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2012 to September 30, 2012 (Report No. 13-AUD-08)

INTRODUCTION

The Office of Inspector General (OIG) performed an audit of miscellaneous expenses for the period of July 1, 2012 to September 30, 2012. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires that the Inspector General reports quarterly to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on certain miscellaneous expenses such as travel, meals and refreshments, private club dues, and membership fees.

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether the sampled expenses incurred were:

- ▲ Reasonable and in accordance with policies.
- ▲ Adequately supported with receipts, proper approvals, and other appropriate documentation.

Miscellaneous expenses for the period of July 1, 2012 to September 30, 2012 totaled \$594,706,¹ which comprised of 469 expense transactions. From this total, we selected 30 transactions totaling \$143,488 for review. The 30 transactions were for expenses from the following accounts: Training, Business Meals, Seminar and Conference Fees, Business Travel, and other Miscellaneous Expenses. We tested each selected transaction by reviewing supporting documentation such as receipts, purchase logs, travel authorization forms and

¹ This total does not include transactions that were \$200 or less, credits, adjustments, and transactions from the OIG and Ethics Departments.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
July 1, 2012 to September 30, 2012**

Office of the Inspector General

Report No. 13-AUD-08

other supporting documents. We reviewed applicable policies and procedures and interviewed Metro staff when deemed necessary.

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 objectives.

We relied on computer-processed data provided to us, which detailed information on actual miscellaneous expenses for the period of our review. Although we did not perform a formal reliability assessment of the computer-process data, we determined that the hard copy documents we reviewed were reasonable and generally agreed with the information contained in the computer-processed data. We did not find errors that would preclude us from using the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

INTERNAL CONTROL ISSUES IDENTIFIED IN PRIOR QUARTERLY AUDIT

The report² on the audit of a prior quarter, from January to March 2012, found the following systemic weaknesses with Schedule Checker mileage payments:

- Schedule Checkers were paid for mileage although in some cases they traveled to their work assignments by Metro transportation.
- A taxable benefit was not reported to the Internal Revenue Service (IRS) when Schedule Checkers were paid for mileage but did not use their personal vehicle.
- Schedule Checkers were not required to follow Metro policy governing mileage reimbursement, which requires reporting actual personal vehicle mileage driven for business travel.
- The most current IRS mileage rate was not being used to determine the mileage reimbursement for Schedule Checkers.

² Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2012 to March 31, 2012; Report No. 13-AUD-05, issued February 14, 2013.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
July 1, 2012 to September 30, 2012**

Office of the Inspector General

Report No. 13-AUD-08

These problems were brought to management's attention after the end of the quarter in which the transactions covered by this audit. Therefore, since corrective action was not begun during the quarter covered by this audit, we did not include any Schedule Checker transactions in this review.

RESULTS OF AUDIT

The 30 expense transactions we audited for the period July 1, 2012, to September 30, 2012, generally complied with policies, were reasonable, and were adequately supported. Our review did not disclose any reportable deficiencies. For one transaction, supporting documentation (Travel & Business Expense Report) was missing in FIS, but was obtained from the traveler during the audit; we did not consider this omission material.

Summary of Expenses Audited

For the Period from July 1, 2012 to September 30, 2012

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$ 21,014	\$ 320
50903	Business Meals	49,476	1,242
50908	Employee Relocation	10,852	0
50910	Mileage / Parking	2,333	0
50915	Seminar and Conference Fee	81,448	8,281
50917	Business Travel	139,845	11,325
50930	Employee Activities and Recreation	4,610	0
50999	Other Miscellaneous Expenses	<u>285,128</u>	<u>122,320</u>
	Totals	<u>\$594,706</u>	<u>\$143,488</u>

Final Report Distribution

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Metro

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Accounting Manager, Accounts Payable
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