

**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, 2017 to September 30, 2017**

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Report No. 19-AUD-02

November 21, 2018



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**Metro**

**Los Angeles County  
Metropolitan Transportation Authority**

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**DATE:** November 21, 2018

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

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

**SUBJECT:** Statutorily Mandated Audit of Metro Miscellaneous Expenses  
From July 1, 2017 to September 30, 2017 (Report No. 19-AUD-02)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of miscellaneous expense transactions processed from July 1, 2017 to September 30, 2017. This audit was performed pursuant to Public Utilities Code section 130051.28(b), which requires the OIG to report quarterly to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses, such as travel, meals, refreshments, private club dues, and membership fees.

We found that the transactions reviewed generally complied with policies, were reasonable and adequately supported by required documents. However, for two of the expenses reviewed, requirements were not followed:

- APTA Registration was paid by corporate purchase card rather than from the required pre-paid account.
- An expense for corporate sponsorship was incorrectly charged to Account 50905 (Corporate Memberships) instead of Account 50999 (Miscellaneous Expense - 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.

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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, 2017 to September 30, 2017 to determine if they were reasonable, properly approved and supported by required documentation (i.e. invoices, receipts, and justification memos).

This audit covered a review of miscellaneous expenses for the period of July 1, 2017 to September 30, 2017. For this period, miscellaneous expenses totaled \$1,988,904<sup>1</sup>, we selected 36 expense transactions totaling \$1,100,922 for detail testing. Thirty of the expense transactions were randomly selected and the remaining 6 were judgmentally selected due to their large dollar amount.

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. 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 requirements were not followed for two of the expense transactions.

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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.

## **1. APTA Registration Fee Paid by Purchase Card**

Metro's Travel and Business Expense Policy (Fin 14 – Section 1.1.11) states: *“All registration fees are paid by completing a Check Request or through a company issued Purchase Card (P-Card), with the exception of APTA conferences. Registration fees for APTA conferences are deducted from Metro's prepaid account.”* In addition, Metro's Accounting Policy ACC-16 (APTA Deposit and Replenishments), provides step by step procedures for how to register for an APTA event. When a Metro employee registers for an APTA event, he/she should use Metro's APTA membership number to pay for the registration through the pre-paid account. Accounting staff advised us that the requesting department's budget is ultimately charged for the APTA registration fees. They also stated that the pre-paid account provides information on who attends APTA events and helps ensure that any discounts are taken.

We found that the System Security & Law Enforcement Department used a purchase card to pay for APTA registration fees in the amount of \$1,025 for an employee to attend an event in June 2017, instead of using the Metro's pre-paid account as required by FIN 14.

The department's executive secretary stated that she had always used the purchase card to pay for APTA registration fees, and she and her supervisor were unaware of the pre-paid account. We provided her copies of FIN 14 and ACC-16 to reference for future APTA registrations. We also sent the department head an email advising him of the pre-paid account. We suggested that he communicate Metro's APTA policy to his entire staff and he agreed.

Using another method to pay for registration fees besides Metro's pre-paid account could potentially result in a duplicate payment to APTA for the same event. Therefore, we reviewed the Accounting Department's list of employees whose APTA registration fees were paid through the pre-paid account from April 4, 2017 to October 16, 2017. We did not find a registration fee for this department employee on the pre-paid account list.

In addition, we reviewed the schedule of miscellaneous expense transactions received from Accounting for the period of July 1, 2017 to September 30, 2017 and identified six additional expense transactions where registration fees were paid to APTA. For each of these expense transaction, we reviewed the supporting documentation and found that the registration fees were paid appropriately through Metro's pre-paid account with APTA.

Accounting also advised that when they receive the monthly statement from APTA documenting the fees deducted from the pre-paid account, for each employee listed on the statement they obtain and review the related travel and business expense documents to verify that no registration fees are on the employee's travel and business expense report for reimbursement for that APTA event. Accounting informed us that this procedure is done to prevent duplicate payments.

## **2. FIS Needs to be Updated to Accurately Reflect Metro’s Chart of Accounts**

Our review found that an expense transaction for a corporate sponsorship was incorrectly charged to Account 50905 – Corporate Memberships instead of Account 50999 – Miscellaneous Expense - Others, which includes expense transactions for community outreach and sponsorships.

The Government Relations Department and the Office of the CEO each paid for half of a \$2,900 sponsorship for the California Transit Association Fall Conference in September 2017. Of this total, \$1,450 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 said Metro’s Financial Information System (FIS) showed under Account 50905, that this account could also be used for corporate sponsorships (see FIS screen shot below).



We reviewed FIS and found that the account description for Account 50905 had not been 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 – Miscellaneous Expense - Others.

We discussed this matter with the Executive Officer, Finance/Controller. He advised that about 15 years ago, when Account 50905 was in use (the account had been deactivated), expenses related to corporate sponsorships were charged to this account. Subsequently in 2017, Account 50905 was reactivated to provide transparency for corporate membership expenses at the recommendation of the OIG. When Accounting reactivated this account, they updated the Chart of Accounts to reflect that Account 50905 should only be used for expenses related to corporate memberships and expenses for corporate sponsorships should be charged to Account 50999. However, at that time, information in FIS for Account 50905 was not updated to accurately reflect the current Chart of Accounts. The Executive Officer stated that he would immediately ask his system team to update FIS.

Charging expense transactions to their proper accounts helps ensure that accounting information is accurate and complete.

## **CONCLUSION**

We found that miscellaneous expenses reviewed for the period of July 1, 2017 to September 30, 2017 generally complied with policies, and were reasonable and adequately supported with required documents. However, for two of the expenses reviewed, requirements were not followed concerning (1) paying for APTA registration through the pre-paid account, and (2) charging corporate sponsorship expenses to the appropriate account. In both matters, the department staff has initiated corrective actions.

**Summary of Sampled Expenses Audited  
For the Period from July 1, 2017 to September 30, 2017**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 16,755	\$ 869
50903	Business Meals	90,415	3,000
50905	Corporate Membership	36,283	1,450
50908	Employee Relocation	50,000	0
50910	ER Mileage / Parking	3,215	230
50912	Professional Membership	9,682	965
50914	Schedule Checkers	2,293	0
50915	Seminar and Conference Fee	115,563	8,915
50917	Business Travel	145,935	7,046
50920	Business Interruption Fund	994,645	994,645
50999	Other Miscellaneous Expenses	<u>\$ 524,118</u>	<u>\$ 83,802</u>
	<b><i>Totals</i></b>	<b><u>\$1,988,904</u></b>	<b><u>\$1,100,922</u></b>

## Final Report Distribution

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