

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Audit of Metro
Business Meal Expenses

We found that Metro's Purchase Card and Check Request policies should be revised to require the detailed justification for business meal purchases. We also found some business meal purchases did not have prior approvals required, itemized receipts, required authorization, and justification memos.



Metro


**Los Angeles County
Metropolitan Transportation Authority**

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DATE: July 14, 2015

TO: Metro Chief Executive Officer
Metro Board of Directors

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

SUBJECT: Audit of Metro Business Meal Expenses
Report No. 15-AUD-05

The subject final report is enclosed for your review and response.

The Office of the Inspector General (OIG) performed a statutorily mandated audit of Metro miscellaneous business meal expenses for the period of October 1, 2013 to June 30, 2014.

We found that Metro's Purchase Card policy needs to be revised to require the documentation and justification requirements in Metro Policy FIN-14, which governs business meal purchases through Travel and Business Expense Reports and Check Request. We also found some business meal purchases did not have (1) required prior approvals, (2) itemized receipts, (3) required authorization, and (4) justification memos. We believe that due to the sensitivity in paying meals with public funds, adequate documentation should be maintained to justify the purchase, obtain needed authorization, and document the items purchased.

Metro management agreed with all 7 recommendations in the report and indicated that corrective actions will be taken. A copy of the management response is attached to this report.

If you have any questions, please contact me at (213) 244-7301.



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Audit of Metro Business Meal Expenses

Office of the Inspector General

Report No. 15-AUD-05

INTRODUCTION

The Office of Inspector General (OIG) performed a statutorily mandated audit of miscellaneous business meal expenses for the period of October 1, 2013 to June 30, 2014. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the Inspector General to report 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. This audit focused on the business meal and refreshments expenses.

We found that Metro's Purchase Card policy needs to be revised to require the documentation and justification requirements in Metro Policy FIN-14, which governs business meal purchases through Travel and Business Expense Reports and Check Request. We also found some business meal purchases did not have (1) required prior approvals, (2) itemized receipts, (3) required authorization, and (4) justification memos. We believe that due to the sensitivity in paying meals with public funds, adequate documentation should be maintained to justify the purchase, obtain needed authorization, and document the items purchased.

OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT

The objectives of the audit were to focus on reviewing Metro's business meal expenses and determine whether:

- expenses incurred were reasonable and in accordance with Metro policies.
- expenses incurred were adequately supported with receipts, proper approvals, and other appropriate documentation.
- processes for expense reimbursement were adequate and reasonably effective.

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, and Check Request (ACC-01),
- interviewed personnel in the Accounting Department to obtain understanding of the processes involved in business meal reimbursement and payment,
- contacted the Purchase Card Program Administrator regarding policy and rules,
- evaluated controls in place in the reimbursement and payment process,
- searched other miscellaneous accounts for business meals expenses that may have been misclassified,
- performed statistical sampling and obtained supporting documents such as receipts, monthly Purchase Card Logs, Travel and Business Expense (TBE) Report, monthly purchase card statements and other supporting documents for testing,

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- determined days lapsed between invoice and payment by Accounting Department, and
- determined whether proper approvals were obtained, expenses were justified and required supporting documentation was submitted.

For the period of October 1, 2013 to June 30, 2014, the Business Meal Account (50903) totaled \$164,992,¹ which was comprised of 410 business meal expenditures. For this audit, we selected 32 invoices² for review. These 32 invoices included 90 business meal expenditures totaling \$41,850 (25% of total dollar value) for review. See Attachment A for summary of business meal expenditures by cost centers. The 32 invoices consisted of 20 invoices that were paid by Metro Purchase Card, 5 invoices that were paid by Travel Business Expense (TBE) reports, 5 invoices that were paid by check request, and 2 invoices that were paid by Travel Card. We also reviewed one invoice for business meals totaling \$4,939 that was recorded in the Other Miscellaneous Expense account (Account #50999).

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 according to our audit objectives.

We relied on computer-processed data that were provided to us, which detailed information on actual miscellaneous business meal 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 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.

BACKGROUND

Metro employees can use three options to pay for business meals: by Metro's purchase cards or travel cards, by personal funds then getting reimbursed through TBE reports, and by check requests. Each option has its own applicable policies, procedures, or guidelines. Employees who request that Metro directly pay for goods and services, or who seek reimbursement for out-of-pocket expenses, must follow these requirements. However, the criteria for documentation and justification of business meals are not consistent amongst the various payment methods. FIN-14 policy requires the most documentation and justification on business meal and in-house meal purchases. P-Card policy requires the least documentation. The Accounts Payable Section in the Accounting Department is responsible for the accurately and timely processing of payments for the miscellaneous expenses.

¹ This total does not include transactions that were \$50 or less, and transactions incurred by the OIG.

² Some invoices had multiple transactions for business meals.

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Accounts Payable Process:

For business meal expenses, an approved TBE, Check Request, or Monthly Purchase Card Log along with supporting documents such as receipts must be forwarded to Accounting Department staff for input to the Accounts Payable (AP) system. The AP system automatically assigns a voucher number and stamps the voucher number on the invoice. The Batch Reviewer, who is an Accountant, then reviews the invoice and other pertinent documents for accuracy and completeness. After the expense transactions are input into the system, the Batch Reviewer validates for approvals, completeness, and accuracy. Then the Accounting Supervisor reviews the input. Upon approval of the supervisor, the invoice is released for payment for check requests and TBE reimbursements.

RESULTS OF AUDIT

A. Purchases Made by Metro Purchase Cards

(1) Purchase Card Policy Needs Improvement

Of the 32 business meal invoices (amounting to \$41,851) sampled, 20 invoices totaling \$34,081 were for business meal expenses incurred on P-Cards issued by US Bank. Metro's FIN-14 policy states that when business and in-house meal expenses are processed through Travel and Business Expense (TBE) Report, departments are required to submit a justification memo, itemized receipt, documentation of attendees, date, name, title, affiliation, subject discussed, purpose, and benefit to Metro. Our review of the P-Card Program policy written prior to April 2015 found that the written justification for some food and beverage purchases did not require the same specific information that is required by FIN-14 for TBE purchases. The Purchase Card Program policy states:

- *Purchase of food and bottled water is prohibited, except food items may be purchased through the Metro Cafeteria or the Metropolitan Water District Cafeteria in support of business meetings. Purchase of other food items and incidentals must be submitted in accordance with FIN-14, Travel and Business Expense Policy.*
- *The Agency Purchase Card Program Manager may authorize exceptions to the P-Card purchase restrictions based on a suitable written justification at the Executive Officer level or above.*

Twenty of the 32 invoices for business meals were procured through the Metro P-Card Program. We found that the justification for 14 (\$31,737) of the 20 invoices for business meals incurred on P-Cards did not provide sufficient information such as the specific reason and purpose for the business meals, date, who attended, purpose, and the specific benefit to Metro.

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Five of the 14 invoices without sufficient justification attached were from the Office of the Board Secretary, which incurred the most cost for business meals. (See Attachment A for the list by cost center.) The Office of Board Secretary purchased food and beverages for Metro Board meetings, Board staff meetings, and other business related Board activities. Most of the business meals were purchased using P-Cards issued to the department. We found that the department only cited “board meals” under the “*Description, Work Order, Purpose*” column on the Monthly Purchase Card Logs. The documentation did not show the name or purpose of the meeting, date of the meeting, list of attendees, and what subject was discussed on either the monthly log or the vendor invoices attached to the log. We compared food delivery dates indicated on the vendor invoices to the archived board calendars, and found that the purchase date of about half of the business meal purchases did not match a board meeting or board staff meeting. According to the Board Secretary, the Board Directors hold many meetings each month including multiple board staff briefings and meetings with local, state and federal officials on Metro business. She also stated that going forward the department will annotate on each invoice the purpose and details of meetings for each business meal purchase.

Nine of the remaining 14 invoices were from various other Metro Departments. Examples of insufficient justifications these departments cited under “*Description, Work Order, Purpose*” column are:

- (a) Lunch/Breakfast, ATU/TCU/AFSCME negotiations (4 invoices)
- (b) Monthly ARC/MTA meeting/Coffee service for meeting (1 invoice)
- (c) Coke and water/Catering CHP polo (1 invoice)
- (d) Catering for training development session (1 invoice)
- (e) CHSRA CEO Meeting – Coffee (1 invoice)
- (f) Refreshments for GM Meeting (1 invoice)

For the above purchases, supporting documents submitted to the Accounting Department did not provide information such as list of names of outside persons who attended, organization of the attendees, and purpose of the meeting. Without sufficient information, the business purpose of the meals cannot be determined. We believe that the Metro Purchase Card policy on justifying business meals should be consistent with the requirements in FIN-14. Otherwise, departments may circumvent the requirements in FIN-14 for documentation and justification of food and beverage purchases. This action is needed to maintain public trust and transparency on safeguarding of government spending on business and in-house meals regardless of the means. Also, FIN-14, 1.5.3 states that check request is preferred on in-house meals.

(2) Authorization from the Purchase Card Program

Metro’s Purchase Card Program Restrictions (prior to April 2015) prohibit food and beverage purchases except those from Metro Café or MWD Café, unless written justifications from the Executive Officer or above were submitted to P-Card Program for authorization. The Purchase Card Program Restriction states, “*the Agency Program Manager may authorize exceptions to the restrictions below based on a suitable written justification at the EO level*”

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or above. Such authorization must be made prior to the purchase and must be in writing.”

An exception to this prior authorization requirement is food purchases made from the Metro Cafeteria or the MWD Cafeterias. We discussed with the Agency Purchase Card Program Administrator the rationale for exempting food purchases from the Metro Cafeteria and the MWD Cafeteria from this requirement. In April 2015, Purchase Card Program revised its policy to require departments to obtain advance authorization from the Purchase Card Program for all food purchases, including those procured from the Metro and MWD Cafeterias.

Eight (totaling \$16,022) out of the 20 invoices purchased food and beverages from other vendors outside of the Metro Cafeteria or the MWD Cafeteria. We found that for 5 of the 8 invoices, the department obtained the required authorization from the P-Card Program to purchase the food from a vendor outside of the Metro and MWD Cafeterias. However, the department did not obtain the required authorization from the P-Card Program for one invoice, and the authorization from the P-Card program for two other invoices were outdated (issued in 2011).

- No Authorization on File. Upon inquiry, the department head stated that the department had previously submitted request for authorization from P-Card Program to make purchases of food and beverage from vendors other than Metro and MWD Café to save cost. However, Purchase Card Program staff did not recall that such a request had been made and could not locate one in their files.
- Authorization Outdated. We also found two invoices where another department purchased food and beverage from a vendor other than the Metro and MWD cafeterias in March and April 2014. However, the memo requesting a waiver was made in September 2011.

(3) Evidence of Prior Approval Not Attached to Monthly P-Card Statement

Of the 20 invoices (\$34,081) for business meal expenses, 19 invoices (totaling \$33,797) did not have any evidence of prior departmental approval attached to the monthly statements submitted to Accounting. The Purchase Card Program Restrictions webpage states, “*attach a copy of each approved form, approval e-mail or other evidence of prior approval to the monthly statement on which the purchase occurs.*”

(4) Receipt Not Itemized

We found that one receipt for business meals (\$538) purchased on Metro’s travel card that was not itemized, and did not list names and organization of attendees. Metro issued a travel card to three Metro employees, due to the nature of their work that requires frequent traveling. The travel card allows them to make food and beverage purchases while on official Metro business trips. Cardholders are subject to Travel Cardholder Agreement and FIN-14 policy.

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Metro's Travel Card Program agreement states, "...including all travel expense receipts and all itemized meal receipts for verification of allowed expenses."

Without itemized receipts, list of attendees, their organizations, and purpose of the business meal, it is difficult to justify meals provided.

(5) Duplicate Payment

We found a duplicate payment in the amount of \$12.51 was paid twice to Metro Cafeteria for the same invoice. We notified the department that made the payment and a refund was obtained from the Metro Cafeteria. We also reviewed other monthly P-Card purchase logs and supporting documents submitted by the same department, and determined that this was an isolated incident. We also advised the Accounting Department of this error. The Accounting Department determined that it was not practical and economical to make an accounting adjustment because of the minor dollar amount and the accounting records for the prior year had been closed.

B. Reimbursements Made by Travel and Business Expense Reports

(1) Lack of Justification Memo

The following are the FIN-14 policy on other business expenses – in-house staff business meals:

- (a) Section 1.5.1. "...meals for staff may be provided when in a facilitated work session, retreat or during situations in which it is impractical for staff to obtain their own meals."
- (b) Section 1.5.2. "Check Request Form shall be completed, including the proper account coding, and required documentation attached such as invoice, cost estimates, or quotation. This request is processed in accordance with the Check Request Procedures and Guidelines, ACC-01."
- (c) Section 1.5.3. "...reimbursement for such expenses may also be requested on Part II of a TBE Report with a **detailed memo of justification from the responsible department head**. Approval in advance and the use of a Check Request Form for such expenses is preferred."

Of the 32 business meal invoices (totaling \$41,851) sampled, 5 invoices (\$1,373) were reimbursed through Part II of the Travel and Business Expense (TBE) Reports. We found that 4 (\$1,292) of the 5 invoices did not have a supporting justification memo for in-house meals incurred. For 2 of the invoices, the business meals were for "managers meetings." One of these invoices was for Metro/AGC annual dinner, and the other invoice was for "team-building."

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(2) Receipts Not Itemized

Metro's Policy FIN-14 states:

- Section 1.4.1 (business meal): *“requests for business meal reimbursement must include original receipts, documentation of attendees, date, name, title, affiliation, subject discussed, amount paid, purpose and benefit to LACMTA. Reimbursed business meals must include persons from outside organizations, agencies, and corporations beneficial or necessary to conducting LACMTA business. A separate justification memo may be attached to provide sufficient detail.”*
- Section 1.4.2 (business meal): *“when submitting the travel and business expense form for reimbursement, written documentation must be provided identifying the names of all present and the purpose of the meeting. Additionally, itemized receipts and other supporting documentation must be provided.”*

For one TBE Report, we found business meals totaling \$895.17 that were not itemized. This TBE Report also did not have a justification memo attached, which was discussed in section B-1 above.

Without itemized receipts, list of attendees, their organizations, and a justification memo, it is difficult to determine whether Metro policies were followed and the propriety of the business meal expense.

C. Payments Made by Check Requests

ACC-01 Check Request Policy Needs Improvement

FIN-14 Section 1.5.3 (in-house meal) states, *“reimbursement for such expenses may also be requested on Part II of a TBE Report with a detailed memo of justification from the responsible department head. Approval in advance and the use of a Check Request Form for such expenses is preferred.”*

Of the 32 business meal invoices (totaling \$41,851) sampled, 5 invoices (\$5,208) were reimbursed through Check Requests. We found that 3 of the 5 invoices processed through Check Request only have brief justification describing the event for which the check requests were submitted. One department put “board meal” on the business justification line when submitting an electronic check request. The other departments cited “refreshments for South Bay Service Council meeting held on March 14, 2014” and “continental breakfast for FTA Quarterly Review meeting held 12/4/2014.” However, a detailed justification memo was not submitted by the requesting department. We believe that the Metro's Check Request policy on justifying business meals should be consistent with the requirements in FIN-14.

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D. Invoice Processing Times

Based on our review of the sampled miscellaneous business meal expenses, we found that the payments of business meal expenses were processed in a timely manner.

Invoices Paid by P-Card. Twenty-two of the 32 invoices we reviewed for the period October 1, 2013, to June 30, 2014, were incurred on Metro's purchase cards (20) and travel cards (2) issued by US Bank. The average elapsed days from invoice date to payment date by the Accounting Department was 3 days. US Bank monthly statements for individual P-Cards were combined and sent to Accounting Department for immediate payment processing. Subsequent to payment of the monthly P-Card statements, Metro departments submit individual cardholder's monthly statement to the Accounting Department along with supporting documents such as Purchase Card Log, memos, invoices, receipts, and other documents, after they are reviewed and approved by department heads. After verifying the required documents, Accounting staff post the meal expenses accordingly. Any adjustment necessary to the monthly statements are made to the following month with US Bank.

Invoices Paid by Check Requests and TBE Reports. Ten of the 32 invoices we reviewed were processed through Check Requests (5) and TBE Reports (5). The average elapsed days between the date the Accounting Department received the invoice and the payment date was 11 days. The elapsed days included payments temporarily placed on hold due to insufficient supporting documents, budget availability, incorrect accounting codes, and other reasons for the Accounting Department to return the invoices to departments that submitted invoices for further clarifications or to provide required supporting documents.

E. Other Matters

Misclassified Expense

We found an invoice totaling \$4,938.75 for business meals that was erroneously charged to the Other Miscellaneous Expense Account #50999 rather than to the correct Business Meal Account #50903. We reviewed other invoices from the same department and determined the charge of the business meals to the incorrect account was an isolated administrative error. We also searched all transactions charged to the Other Miscellaneous Expense account (Account #50999) and did not find another similar error. According to a Director in Accounting Department, Metro cannot make an accounting adjustment to a prior year after the accounts have been closed.

RECOMMENDATIONS

Recommendation 1

We recommend that the P-Card Program should update the P-Card policy to:

- a. Require departments to submit documentation consistent with the requirements in FIN-14 to the Accounting Department on food and beverage purchase: justification memo, itemized receipt, documentation of attendee organization, date, name, title, affiliation, subject discussed, purpose and benefit to Metro. When food and beverages are purchased for in-house staff, a justification memo from the Executive Officer of the department should be attached to the monthly P-Card statement. The justification memo should state the business purpose and benefit to Metro, and reason for needs of providing meal and beverage to staff.
- b. Instruct departments to first utilize Check Request and Travel and Expense Report reimbursement on business meals and beverages.

Recommendation 2

We recommend that the P-Card Program should update the Monthly Purchase Card Log to include information that the cardholder must comply with Purchase Card policy in regards to restriction and documentation requirement.

Recommendation 3

We recommend that the P-Card Program should instruct Metro department heads, purchase cardholders, and approvers, that a justification memo approved by department head is required for purchasing food and beverage for all new purchases and annually for repeat purchases. Also, evidence of this approval for each purchase must be attached to the monthly statement submitted to the Accounting Department.

Recommendation 4:

We recommend that the P-Card Program should instruct Metro Travel Card holders that itemized receipts, list of attendees, their organizations, and purpose of the business meal should be submitted to the Accounting Department for documentation purpose.

Recommendation 5:

We recommend that the Accounting Department should instruct department heads and TBE approvers that a detail justification memo and itemized receipts are required when submitting meal expense reimbursement request, and request without sufficient documentation will be rejected. Also, instruct Accounting staff to reject business meal reimbursement request without proper business cause, itemized receipt, and a justification memo.

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Recommendation 6:

We recommend that the Accounting Department should update the Check Request policy to require departments to submit a justification memo from the Executive Officer of the department for business meal purchases. Also, instruct Accounting staff to reject check request without proper business cause and a justification memo.

Recommendation 7:

We recommend the Accounting Department should instruct Accounting staff to ensure appropriate expense account is charged.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On June 10, 2015, we provided Metro management a draft report. On July 10, 2015, the Interim Deputy Executive Officer of Vendor Contract Management and Executive Officer of Finance jointly completed a response that agreed with all 7 recommendations in the report.

Vendor Contract management commented that by July 30, 2015, they will:

- (1) apply FIN-14 policy as a condition for all food and beverages, whether approved in advance, or a case by case basis. For in house business meals, a detailed memo of justification from the responsible department head is required. Purchase Card Program “restrictions” will be revised to instruct departments to first utilize Check Request and Travel and Expense Report reimbursement on business meals and beverages.
- (2) modify Monthly Purchase Card Log with a statement that each cardholder is in compliance with Purchase Card Policy regarding restrictions, documentation requirements, and FIN-14 policy and procedures.

Accounting management commented that by September 30, 2015, that the Director of Accounting will:

- (1) ensure that the AP section continues to instruct responsible department heads and TBE approvers that a detailed justification memo and itemized receipts are required when submitting in house business meal reimbursements. Request without sufficient documentation will be returned to the requestor. Director of Accounting will also ensure that the TBE form is updated to indicate that proper business cause, itemized receipts and a justification memo must be provided when requesting reimbursement for business meals.
- (2) ensure that check request procedures and guidelines are updated to include that the requirement of a detailed justification memo from department heads for business meals provided. Request without justification memo will be rejected.
- (3) ensure that the AP staff instructs the responsible department heads and TBE approvers to use the appropriate expense account charged.

EVALUATION OF MANAGEMENT COMMENTS

Management's proposed corrective actions are responsive to the findings and recommendations in the report. We, therefore, consider all issues related to the recommendations resolved based on the corrective action plan. However, staff should follow up on completing the implementation of the recommendations.

SUMMARY OF BUSINESS MEAL EXPENSES BY COST CENTERS

Cost Center	Cost Center Name	Total Amount	Total Amount Sampled
1010 Total	Office of Board Secretary	39,607	23,751
2420 Total	Employee & Labor Relations	29,777	7,604
7160 Total	Regional Communications Programs	6,590	-
8010 Total	Executive Office, Transit Project Delivery	6,302	1,314
7010 Total	Executive Office, Communications	5,346	3,823
2010 Total	Chief Executive Office	4,665	837
7130 Total	Government Relations Federal Affairs	4,315	351
3240 Total	Operations Central Instruction	4,144	97
3010 Total	Executive Office, Transit Operations	3,833	-
2415 Total	Regional Rail	3,602	71
7012 Total	Regional Service Council	3,155	158
4530 Total	New Mobility Regional Initiatives	3,111	-
8510 Total	Construction Contracts/Procurement	3,066	-
1110 Total	Office of Board Secretary	2,995	787
2410 Total	Board Relations, Policy & Research	2,940	-
3020 Total	UFS	2,603	-
3306 Total	Executive Director, Maintenance	2,217	-
2412 Total	Transit Court	1,955	-
3707 Total	Maintenance Division 7	1,791	-
6240 Total	Human Resources	1,571	-
6320 Total	Purchasing	1,534	-
3208 Total	Transportation Division 8	1,479	-
3609 Total	Maintenance Division 9	1,440	-
4360 Total	Transit Corridors (SGV), Ped Prgms & Goods Mvmt	1,399	1,322
6220 Total	Training And Development	1,340	-
3515 Total	Maintenance Division 15	1,249	-
6810 Total	Corporate Safety	1,183	-
3503 Total	Maintenance Division 3	1,176	-
6915 Total	ADMINISTRATIVE SERVICES	1,135	-
3232 Total	Executive Director, Transportation	1,040	163
3710 Total	Maintenance Division 10	918	213
3805 Total	Maintenance Division 5	904	-
2610 Total	System Security & Law Enforcement	849	-
3215 Total	Transportation Division 15	796	-
8610 Total	Program Management	794	-
7120 Total	Creative Services	747	-
3234 Total	Vehicle Operations	700	-
2413 Total	Civil Rights Programs Compliance	687	124
3203 Total	Transportation Division 3	662	-
2210 Total	New Business Development	647	-
3210 Total	Transportation Division 10	626	-
7140 Total	Customer Communications	566	-
3508 Total	Maintenance Division 8	560	284

SUMMARY OF BUSINESS MEAL EXPENSES BY COST CENTERS

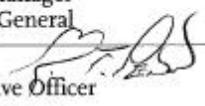
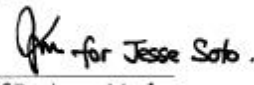
Cost Center	Cost Center Name	Total Amount	Total Amount Sampled
4320 Total	Central Area Team	536	-
3218 Total	Transportation Division 18	532	-
3205 Total	Transportation Division 5	500	-
2220 Total	Congestion Reduction	477	316
3802 Total	Maintenance Division 2	457	-
7170 Total	Customer Relations	445	-
3706 Total	Maintenance Division 6	425	-
3209 Total	Transportation Division 10	424	-
3590 Total	Contract Services	412	-
8370 Total	Strategic Transit Asset Management	347	137
4315 Total	Transp. Dev. & Implm. (North/West/Sw Region)	335	-
3206 Total	Transportation Division 6	300	-
3940 Total	Rail Fleet Services Vehicle Acquisition	273	81
3818 Total	Maintenance Division 18	266	-
4010 Total	Countywide Planning And Development	260	-
3201 Total	Transportation Division 1	247	-
3202 Total	Transportation Division 2	247	-
2130 Total	Diversity & Economic Opportunity	245	-
3366 Total	CMS	241	-
4340 Total	Gateway Cities Area Team	232	-
8320 Total	Major Capital Project Engineering	226	280*
9210 Total	Information Management	210	-
3928 Total	Rail Mow Traction Power Systems	206	-
3250 Total	Central Instruction-Maintenance	190	-
3910 Total	Rail Operations Finance & Administration	163	-
3955 Total	Rail Transit Ops Gold Line	126	-
4370 Total	San Fernando/North County Area Team	123	-
4240 Total	Regional Transit Planning	112	139*
8380 Total	Facilities Engn- Operations	104	-
3920 Total	Rail Mow Administration	78	-
3936 Total	Rail Transit Ops Instruction	66	-
0621 Total	Non-Dept Human Resource	62	-
5210 Total	Treasury	57	-
7110 Total	Public Relations	52	-
	TOTAL	164,992	41,850

* Sampled amount is more than population amount because transactions under \$50 were omitted from population database but included in testing of samples for completeness.

Copy of Management Response


Metro

Interoffice Memo

Date	July 9, 2015
To	Yvonne Zheng, Audit Manager Office of the Inspector General
From	Mark T. Penn  Interim Deputy Executive Officer Vendor Contract Management
Subject	Jesse Soto  Executive Officer, Finance Draft Report on the Audit of Business Meal Expenses; Report No. 15-AUD-05; dated June 10, 2015

Thank you for a very thorough and informative Draft Report regarding the subject matter above. With the emergence of the PCard as a viable core business solution critical to current on-going efforts of streamlining our business acquisition process, it is absolutely imperative the integrity of its use and application is not compromised in any manner.

As a joint effort between Vendor Contract Management (V/CM) and Finance, we have reviewed the recommendations beginning on page 9 of the Draft Report, and agree that implementing corrective action measures is appropriate and necessary in some instances. Please note our responses below:

Recommendation 1

We recommend that the P-Card program should update the P-Card policy to:

- a. Require departments to submit documentation consistent with the requirements in FIN-14 to the Accounting Department on food and beverage purchases: justification memo, itemized receipt, documentation of attendee organization, date, name, title, affiliation, subject discussed, purpose and benefit to Metro. When food and beverages are purchased for in-house staff, a justification memo from the Executive Officer of the department should be attached to the monthly P-Card statement. The justification memo should state the business purpose and benefit to Metro, and reason for needs of providing meal and beverage to staff.
- b. Instruct departments to first utilize Check Requests and Travel and Expense Report reimbursement on business meals and beverages.

Response: Regarding recommendation 1(a) under Purchase Card Programs "Restrictions," current FIN-14 policy is applicable for food purchases not approved in advance by the Purchased Card Program. Effective immediately, we

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will now apply FIN-14 policy as a condition for all food and beverages, whether approved in advance, or on a case by case basis. However, for in house business meals, a detailed memo of justification from the responsible department head is required; not from the Executive Officer of the department as mentioned in the recommendation above: FIN 14, section 1.5.3 specifically states "...reimbursement for such expenses may also be requested on Part II of the TBE Report with a detailed memo of justification from the responsible department head. Approval in advance and the use of a Check Request Form for such expenses is preferred." Regarding recommendation 1(b) we will revise the bullet for food purchases under Purchase Card Program "Restrictions" to instruct departments to first utilize Check Request and Travel and Expense Report reimbursement on business meals and beverages.

Recommendation 2

We recommend that the PCard Program should update the Monthly Purchase Card Log to include information that the cardholder must comply with Purchase Card policy in regards to restrictions and documentation requirement.

Response: The Monthly Purchase Card Log shall be modified with a statement that each cardholder is in compliance with Purchase Card Policy regarding restrictions, documentation requirements, and FIN-14 policy and procedures. See the attached modified Monthly Purchase Log.

Recommendation 3

We recommend that the P-Card Program should instruct Metro department heads, purchase cardholders, and approvers, that a justification memo approved by department head is required for purchasing food and beverage for all new purchases and annually for repeat purchases. Also, evidence of this approval for each purchase must be attached to the monthly statement submitted to the Accounting Department.

Response: By incorporating FIN-14 policy into all food and beverage purchases, modifying the monthly Purchase Card Log, and following existing PCard policy, the PCard Program will satisfy the recommendation above.

Recommendation 4

We recommend that the P-Card program should instruct Metro Travel Card holders that itemized receipts, lists of attendees, their organizations, and purpose of the business meal should be submitted to the Accounting Department for documentation purpose:

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Response: By incorporating FIN-14 policy into all food and beverage purchases in addition to existing PCard policy, the PCard Program will satisfy the recommendation above.

Recommendation 5

We recommend that the Accounting Department should instruct department heads and TBE approvers that a detail justification memo and itemized receipts are required when submitting meal expense reimbursement request, and request without sufficient documentation will be rejected. Also, instruct Accounting staff to reject business meal reimbursement request without proper business cause, itemized receipt, and a justification memo.

Response: Agree. The Director of Accounting will ensure that the Accounts Payable section continues to instruct responsible department heads and TBE approvers that a detailed justification memo and itemized receipts are required when submitting in-house business meal reimbursements. Business meal reimbursement request without sufficient documentation will be returned to the requestor.

In addition, the Director of Accounting will ensure that the Travel and Business Expense form is updated to ring to the requestor's attention that a proper business cause, itemized receipts, and a justification memo must be provided when requesting reimbursement for business meals. The form will be updated by September 30, 2015.

Recommendation 6

We recommend that the Accounting Department should update the Check Request policy to require departments to submit a justification memo from the Executive Officer of the department for business meal purchases. Also, instruct Accounting staff to reject check request without proper business cause and a justification memo.

Response: The recommendation states that the Accounting Department should update the Check Request policy to require departments to submit a justification memo from the Executive Officer of the department for business meal purchases. However, after review of FIN 14, this requirement is not consistent with policy.

FIN14 states that for in house business meals a detailed memo of justification from the responsible department head is required not the Executive Officer of the department (FIN 14, section 1.5.3 states "...reimbursement for such expenses may also be requested on Part II of a TBE Report with a detailed memo of justification from the responsible department head. Approval in advance and the use of a Check Request Form for such expenses is preferred.")

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The Director of Accounting will ensure that, by September 30, 2015, the check request procedures and guidelines are updated to include that the requirement of a detailed justification memo from department heads for business meals provided.

The Director of Accounting will also instruct the Accounting staff to reject check requests without a detailed justification memo.

Recommendation 7

We recommend the Accounting Department should instruct Accounting Staff to ensure appropriate expense account is charged.

Response: The recommendation states that The Accounting Department should instruct Accounting Staff to ensure the appropriate expense account is charged. The Accounting Staff is not responsible for the appropriate use of expense accounts for another department. It is the responsibility of the department head to ensure the use of the appropriate expense accounts.

The Director of Accounting will ensure that the Accounts Payable Staff instructs the responsible department heads and TBE approvers to use the appropriate expense account charged.

All responses provided for Recommendations 1 through 4 will be incorporated by July 30, 2015. All responses provided for Recommendations 5 through 7 will be incorporated by September 30, 2015.

As an extra added measure of facilitating card holder compliance with the policy and procedures of Metro's PCard program, Vendor Contract Management (V/CM) on a quarterly basis sends e-mail alerts to PCard holders informing them of the importance of visiting the PCard website on an on-going basis for updates and changes to the ten basic category headings that govern the Metro PCard process.

The next quarterly e-mail alert scheduled for July 2015 will feature these new changes in policy and procedure as a result of the subject audit. In addition, the PCard website will also include these new policies and procedures in the "what's new" section of the website. Both the e-mail alert and website will remind all card holders that their PCard privileges will be cancelled or suspended if policies and procedures are not complied with.

Should you have any questions regarding the responses to this draft audit report, please do not hesitate to contact Jesse Soto at 213.922.6861 for all Accounting matters of this report and Mark Penn at 213.922.1455 for all Vendor Contract Management (V/CM) matters of this report.

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Purchase Card Program

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