

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
April 1, 2012 to June 30, 2012**

Report No. 13-AUD-06

February 26, 2013



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

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DATE: February 26, 2013

TO: Board of Directors
Chief Executive Officer

FROM: 
Jack Shigetomi
Deputy Inspector General - Audits

SUBJECT: Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period April 1, 2012 to June 30, 2012 (Report No. 13-AUD-06)

INTRODUCTION

The Office of Inspector General (OIG) performed an audit of miscellaneous expenses for the period of April 1, 2012 to June 30, 2012. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires that the Inspector General report 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 April 1, 2012 to June 30, 2012 totaled \$971,200,¹ which comprised of 795 expense transactions. From this total, we selected 32 transactions totaling \$129,647 for review (30 of the transactions were randomly selected, and 2 transactions were selected because of their high dollar amount). The 32 transactions were for expenses from the following accounts: Training, Business Meals, Mileage, Seminars and

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

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Conferences, Business Travel, and other Miscellaneous Expenses. We tested each selected transaction by reviewing supporting documentation such as receipts, invoices, purchase logs, travel authorization forms and other types of supporting documentation. We reviewed applicable policies and procedures and interviewed Metro staff when deemed necessary. During the audit, we did not test the reliability and accuracy of the Financial Information System, which processed the transactions we tested. Our conclusions based on the audit results are limited to the transactions tested during our audit.

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.

RESULTS OF AUDIT

The 32 expense transactions we audited for the period April 1, 2012 to June 30, 2012 generally complied with policies, were reasonable, and were adequately supported. Our review did not disclose any reportable deficiencies.

1. Internal Control Issues Identified in Prior Quarterly Audit

The report² on prior audit of the prior quarter (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.

Management is proceeding with implementing recommendations in our prior audit report.

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.

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2. Current Audit

Based on our statistical procedures, none of the Schedule Checker travel (mileage) payments totaling \$11,655 were selected for review in this audit. However, the mileage payments to Schedule Checkers were made before Metro management had the opportunity to correct the systemic weaknesses found by the prior OIG audit.

Summary of Expenses Audited

For the period from April 1, 2012 to June 30, 2012

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$ 71,154	\$ 1,595
50903	Business Meals	61,248	4,125
50907	Miscellaneous Cash Overage/Shortage	483	-
50908	Employee Relocation	15,000	-
50910	Mileage / Parking	4,199	201
50914	Schedule Checkers	11,655	-
50915	Seminar and Conference Fee	113,431	2,895
50917	Business Travel	263,568	7,671
50930	Employee Activities and Recreation	7,597	-
50999	Other Miscellaneous Expenses	<u>422,865</u>	<u>113,160</u>
	Totals	<u>\$971,200</u>	<u>\$129,647</u>

Final Report Distribution

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Metro

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