

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
October 1, 2012 to December 31, 2012**

Report No. 13-AUD-09

May 1, 2013



TABLE OF CONTENTS

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



Metro

**Los Angeles County
Metropolitan Transportation Authority**

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
213.244.7343 Fax

DATE: May 1, 2013

TO: Metro Chief Executive Officer
Metro Board of Directors

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

SUBJECT: Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period October 1, 2012, to December 31, 2012 (Report No. 13-AUD-09)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of miscellaneous expenses for the period of October 1, 2012, to December 31, 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 October 1, 2012, to December 30, 2012, totaled \$857,005,¹ which were comprised of 698 expense transactions from 7 general ledger accounts. From this total, we selected 30 transactions totaling \$33,167 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 (see Attachment A). We tested each selected transaction by reviewing supporting documentation such as receipts, purchase logs, travel authorization forms and other supporting documents.

¹ This total does not include transactions that were \$200 or less, credits, adjustments, and transactions from the OIG and Ethics Departments. We also excluded certain accounts for which we are planning future audits and accounts with previously identified problems which were brought to management's attention after the period covered by this audit.

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
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Report No. 13-AUD-09

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.

RESULTS OF AUDIT

The 30 expense transactions we audited for the period October 1, 2012, to December 31, 2012, generally complied with policies, were reasonable, and were adequately supported. However, we found that compliance with Metro procedures could be improved by assuring that purchase card Cardholders are aware of and follow the requirement to obtain written pre-approval for all expenses.

Written Pre-Approval for Purchase Card Expenses

Metro Rules and Guidelines for the use of purchase cards (P-Cards) require that all purchase expenses be pre-approved by the Approving Official in writing.

“PREAPPROVAL OF CARDHOLDER PURCHASES. The Approver must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc. All purchases made by Cardholders are presumed to be approved in advance by the Approver.”

The Purchase Card Program Manager informed us that these pre-approvals do not need to be turned in unless requested. Therefore, for the 11 P-Card expenses included in our review, we asked the Cardholders to provide copies of the written pre-approvals. We also accepted any relevant department guidance addressing the above policy. We found that for 3 of the 11

**Statutorily Mandated Audit of Miscellaneous Expenses for the Period
October 1, 2012 to December 31, 2012**

Office of the Inspector General

Report No. 13-AUD-09

expenses, the P-Cardholders did not obtain written pre-approvals. The three Cardholders told us that either:

- 1 Pre-approval was received verbally but not in writing. The manager confirmed verbal pre-approval.
- 2 Written pre-approval was not obtained because the vendor was an approved vendor for that type of expense.
- 3 The Cardholder was unaware of the requirement to document approval in advance.

We discussed this matter with the Purchase Card Program Manager. The Manager advised us that she will initiate action to address this matter. Some options are (1) focusing on this requirement in the mandatory P-Card training course, (2) sending a minder of this requirement to P-Cardholders and Approvers, and (3) emphasizing this requirement on the P-Card webpage. We believe this action should resolve this matter.

MANAGEMENT COMMENTS TO DRAFT REPORT

Summary of Expenses Audited

For the Period from October 1, 2012, to December 31, 2012

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$ 42,688	\$ 200
50903	Business Meals	37,943	1,733
50910	Mileage / Parking	3,134	0
50915	Seminar and Conference Fee	85,001	3,758
50917	Business Travel	225,249	14,965
50930	Employee Activities and Recreation	6,891	0
50999	Other Miscellaneous Expenses	<u>456,099</u>	<u>12,511</u>
Totals		<u>\$857,005</u>	<u>\$33,167</u>

Final Report Distribution

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