

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
July 1, 2013 to September 30, 2013**

Report No. 14-AUD-06

May 14, 2014



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Metro

**Los Angeles County
Metropolitan Transportation Authority**

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DATE: May 14, 2014

TO: Board of Directors
Chief Executive Officer

FROM: *for Jack Shegetomi*
Karen Gorman, Inspector General

SUBJECT: Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period July 1, 2013 to September 30, 2013 (Report No. 14-AUD-06)

INTRODUCTION

The Office of Inspector General (OIG) performed an audit of miscellaneous expenses for the period of July 1, 2013 to September 30, 2013. 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, 2013 to September 30, 2013 totaled \$887,400,¹ which comprised of 477 expense transactions. From this total, we selected 51 transactions² totaling \$334,959 for audit. The 51 transactions were for expenses from the following eight accounts: Training, Business Meals, Cash Over/Short, Employee Relocation, Seminar and Conference Fees, Business Travel, Employee Activities and Recreation, and Other Miscellaneous Expenses. No item was selected for testing from the Schedule Checkers account because the amount is immaterial. We tested each selected transaction by reviewing

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

² Thirty of the 51 transactions were statistically selected and the remaining 21 transactions were randomly selected using criteria such as high dollar amount and auditor's judgments.

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supporting documentation such as receipts, purchase logs, travel authorization forms and other supporting documents. We also reviewed applicable policies and procedures.

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 audit. 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 51 expense transactions we reviewed for the period from July 1, 2013 to September 30, 2013 generally complied with policies, were reasonable, and were adequately supported. Our audit did disclose one minor deficiency.

One of the sampled expenses in the amount of \$247 in Account #50930 – Misc Employee Activities and Recreation was incurred for team building purpose. There was insufficient supporting document to justify the charge in accordance with FIN 14 – Travel and Business Expense policy. FIN 14 section 1.5 states, *“Meals for staff may be provided when in facilitated work session, retreat or during situations in which it is impractical for staff to obtain their own meals. A Check Request Form shall be completed...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.”*

We advised the director in that department and Director of Accounting Department when such expense incurs in the future, a detailed justification memo should be submitted with the request for payment as required by Policy FIN 14. They provided the following response:

- The department director agreed that in the future, a detailed justification memo will be submitted together with Travel and Business Expense Report.

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- The Director of Accounting stated that accounting staff will make sure the justification memo required by Policy FIN 14 is attached with reimbursement request in the future.

We also found that this expense should be booked to Account #50999 – Other Misc Expense, instead of #50930. Accounting department agreed to a proposed adjusting journal entry to reclassify the expense.

Because corrective actions have been taken, no further recommendation is included in this report.

Summary of Expenses Audited

For the Period from July 1, 2013 to September 30, 2013

Account	Account Description	Total Amount ⁽¹⁾	Sample Amount
50213	Training Program	\$ 16,792	\$ 6,195
50903	Business Meals	29,674	6,137
50907	Cash Over/Short ⁽²⁾	31,159	30,932
50908	Employee Relocation	20,000	20,000
50914	Schedule Checkers ⁽³⁾	4,241	0
50915	Seminar and Conference Fee	77,349	8,176
50917	Business Travel	226,038	14,709
50930	Employee Activities and Recreation	247	247
50999	Other Miscellaneous Expenses	<u>481,900</u>	<u>248,563</u>
	Totals	<u>\$ 887,400</u>	<u>\$ 334,959</u>

- (1) These amounts do not include transactions that are \$200 or less, credit adjustments, and transactions from the OIG.
- (2) Monthly cash over/short totals from the TVM revenue reconciliations are charged to this account. According to the Accounting department, this account was created for transparency and control purpose.
- (3) The statistical samples did not select any transaction from this account.

Final Report Distribution

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