

**Los Angeles County**  
**Metropolitan Transportation Authority**  
**Office of the Inspector General**

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**Audit of Miscellaneous Expenses for the  
Period April 1, 2009 to June 30, 2009**

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**Report No. 10-AUD-06**

**March 5, 2010**





**Metro**

**Los Angeles County  
Metropolitan Transportation Authority**

Office of the Inspector General  
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**DATE:** March 5, 2010

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

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

**SUBJECT: Audit of Miscellaneous Expenses for the Period  
April 1, 2009 to June 30, 2009 (Report No. 10-AUD-06)**

## **INTRODUCTION**

This report covers the period April 1, 2009 to June 30, 2009. Our Audit of Miscellaneous Expenses was performed pursuant to Public Utilities Code (PUC), Section 130051. The Section 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 AND SCOPE OF AUDIT**

The objectives of the audit were to determine whether sampled expenses were:

- ▲ Reasonable and in accordance with policies.
- ▲ Adequately supported with receipts, proper approvals, and other appropriate documentation.

The audit included review of eight general ledger expense accounts such as training, business meals, mileage/parking, seminar and conference fees, business travel, employee activities, and other miscellaneous expenses. For these eight accounts, expenditures totaled \$1,053,999 during April 1, 2009 through June 30, 2009 (excluding transactions that were \$200 or less, adjustments, and credits). We statistically selected 48 expenditures totaling \$40,515 for review (see Attachment A for details).

The audit was conducted in accordance with Government Auditing Standards and included such tests of the procedures and records, as we considered necessary under the circumstances. During the audit, we did not test the reliability and accuracy of the Financial Information System, which processed the transactions we reviewed. Our conclusions are based on the audit results of the transactions reviewed during this audit.

## **RESULTS OF AUDIT**

The expenses we reviewed for the period April 1, 2009 through June 30, 2009 generally complied with policies, were reasonable, and were adequately supported. However, our review of 15 Travel and Business Expense Report found that 2 of them had deficiencies.

### **Areas that Need Improvement**

Although the deficiencies resulted in minor dollar errors, the required procedure was not followed. Also, there was one area where Metro's travel policy should be updated.

- For the last day of travel, one traveler did not deduct from the daily per diem rate the meals included in the conference registration fee. Another traveler made a similar error; however in this case, the Travel Coordinator caught the error and had the Travel and Business Expense Report corrected. Metro Policy FIN 14 (Travel and Business Expense) requires that meals included in conference registration fees will reduce the total daily meal reimbursement amount.
- One traveler did not properly complete the Travel and Business Expense Report. Specifically, the traveler did not itemize the expenses incurred for each travel day. Instead, the traveler provided total amounts for each type of expense. When details of daily expenses are not provided, it is difficult to determine the validity of the traveler's expense claims.
- The per diem rate includes reimbursement for both meals and incidental expenses (M&IE). Metro policy FIN 14 states that "meals included in conference registration fees...will reduce the total daily meal reimbursement by...the current prorated amount for meals under the per diem method. The Travel Coordinator told us that she used a proration method of 20% for breakfast, 25% for lunch, and 55% for dinner to determine the amount to deduct when meals were furnished at conferences. She said that the Federal General Services Administration (GSA) provided these percentages years ago. However, we found that GSA is no longer using the percentage proration method. Instead, GSA provides on its website an M&IE Breakdown Table, which shows the dollar amount that should be deducted for breakfast, lunch, and dinner when meals are furnished to the traveler.

The Travel Coordinator called GSA and was told that the M&IE Breakdown Table should be used. We believe that the new methodology is fairer to the traveler because it excludes the “incidental” portion of the per diem rate from being deducted when meals are furnished to the traveler. Accordingly, Metro should update FIN 14 to reflect the current GSA methodology.

### **Preliminary Reaction to Reportable Conditions**

We discussed the above matters with the Metro Travel Coordinator. The Travel Coordinator promptly notified the Accounting Manager so that any appropriate adjustments could be made to the two Travel and Business Expense Reports.

On December 8, 2009, Accounting Department officials advised us that they will initiate action to update FIN 14 to reflect the current GSA methodology, and work with the Travel Coordinator to ensure compliance with Metro travel policies.

## **RECOMMENDATIONS**

1. Metro should update Section 1.2.3.2 of FIN 14 to reflect the current GSA methodology for determining the amount that should be deducted when meals are furnished to travelers during conferences. Specifically, the GSA M&IE Breakdown Table should be used, which is on the GSA website.
2. The Travel Coordinator should return to the traveler any Travel and Business Expense forms that are not properly completed to show itemized expenses for each travel day.
3. The Travel Coordinator should continue to monitor Travel and Business Expense Reports to ensure travelers deduct from the per diem meals included in conference registration fees at the amount shown on the GSA Breakdown Table.

## **MANAGEMENT COMMENTS**

Metro management concurred with the findings in this report. Management proposed the following corrective actions to implement the audit recommendations:

- Accounting updated FIN 14 to reflect the current GSA methodology.

- The Travel Coordinator will return Travel and Business Expense Reports that are not properly completed with itemized daily expenses to the traveler for proper corrections to avoid processing errors.
- The February 23, 2010 directive from the Deputy Executive Officer, General Services states that when the Travel Coordinator signs off on the Travel and Business Expense Reports, it indicates verification that the form is in compliance with FIN 14.

See Attachment B for a copy of the management response to the report.

## **EVALUATION OF MANAGEMENT COMMENTS**

Metro's proposed corrective action plan is responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations in the report resolved based on the corrective action plan. Although the recommendations are resolved, staff must follow up on the recommendations until all corrective actions are completed. This requirement is set forth in Management Audit Services Audit Report Follow-up & Resolution Policy (MAS 1).

### Summary of Expenses Reviewed

Account	Account Description	Total Amount	Sample Amount
50213	Training Program	\$59,508	\$7,101
50903	Business Meals	50,273	3,897
50910	Mileage / Parking	4,104	248
50914	Schedule Checkers	3,072	0
50915	Seminar and Conference Fee	70,850	3,628
50917	Business Travel	212,403	8,726
50930	Employee Activities	55,808	3,194
50999	Other Miscellaneous Expenses	<u>597,981</u>	<u>13,721</u>
	<b>Totals</b>	<b><u>\$1,053,999</u></b>	<b><u>\$40,515</u></b>

## Management Comments to Draft Report



**Metro**

### Interoffice Memo

Date	February 25, 2010
To	Karen Gorman Acting Inspector General
Through	Arthur T. Leahy Chief Executive Officer
From	Terry Matsumoto Chief Financial Services Officer & Treasurer; Michelle Caldwell, Interim Chief Administrative Services Officer
Subject	Management Resonse to Draft Audit of Micellaneous Expenses for April 2009 to June 2009 (Report No. 10-AUD-06)

#### OVERVIEW

We have reviewed the results of the subject draft report, and concur with the findings in the report.

I recognize that corrective measures must be undertaken to update the current policy (FIN 14) regarding per diem deductions, and to correct the instances where required procedures did not follow GSA guidelines.

#### PROPOSED CORRECTIVE ACTIONS

- In response to recommendation 1, Accounting updated FIN 14 to reflect the current GSA Methodology. This recommendation has been implemented.
- In response to recommendation 2, the Travel Coordinator will return Travel and Business Expense Reports that are not properly completed with itemized daily expenses to the traveler for proper corrections to avoid processing errors. This recommendation has been implemented.
- In response to recommendation 3, refer to the February 23, 2010 directive from the DEO, General Services, that when the Travel Coordinator signs off on the Travel and Business Expense Reports, it indicates verification that the form is compliant with FIN 14. This recommendation has been implemented.

Should you have any questions, please feel free to contact us.

## Final Report Distribution

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