

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

**Statutorily Mandated Audit of
Miscellaneous Expenses for the Period
October 1 to December 31, 2016**

Report No. 17-AUD-07

June 20, 2017



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Metro

DATE: June 20, 2017

TO: Board of Directors
Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit 

SUBJECT: Statutorily Mandated Audit of Miscellaneous Expenses
For the Period October 1, 2016 to December 31, 2016
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INTRODUCTION

The Office of the Inspector General (OIG) performed the mandated audit of miscellaneous expenses for the period of October 1, 2016 through December 31, 2016.

This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires that the Inspector General report to the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors on miscellaneous expenses including travel, training, meals, private club dues, and membership fees.

Our audit found that the amounts incurred for the 31 statistically sampled expenses were supported by invoices or receipts. However, we found that two travelers were paid more than the allowable maximum government rate for lodging, without documented justification.

OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT

The objectives of the audit were to determine whether miscellaneous expenses incurred were:

- Reasonable and in accordance with Metro policies and procedures;
- Adequately supported with receipts, proper approvals, and other appropriate documentation; and
- Charged to the appropriate account as defined in the Metro Chart of Accounts.

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Metro's miscellaneous expenses for the period October 1, 2016 through December 31, 2016, totaled \$1,816,299¹ (see Attachment A). We reviewed a statistical sample of 31 randomly selected expenses totaling \$32,848 (see Attachment A).

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 an understanding of the processes for paying travel expenses;
- Contacted the Purchase Card Program Administrator regarding policies and rules;
- Contacted the Travel Program Coordinator regarding business travel;
- Reviewed Metro's Chart of Accounts;
- Determined whether proper approvals were obtained, expenses were justified, and required supporting documentation was submitted; and
- Reviewed a statistical sample of all expenses and supporting documents such as receipts, monthly Purchase Card Logs, Travel and Business Expense (T&BE) Reports, Travel Request/Authorization Forms, monthly purchase card statements, and other documents.

The 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions according to the audit objectives.

BACKGROUND

Metro uses three options to pay for miscellaneous expenses: (1) Metro's Purchase Cards, (2) employee reimbursement through Travel and Business Expense (TBE) reports, and (3) Check Requests including purchase orders. Each option has its own applicable policies, procedures, or guidelines. The Accounts Payable Section in the Accounting Department is responsible for the accurate and timely processing of payments for these expenses.

¹ These totals do not include transactions that were \$200 or less, credit amounts, and transactions incurred by the OIG or the Ethics Department.

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RESULT OF AUDIT

The 31 expense transactions we audited generally complied with Metro policies, were reasonable, adequately supported, and charged to the correct general ledger account. However, we found two travel expenses where the travelers were reimbursed for more than the government lodging rate,² without documented justification and approval.

Written Documentation Not on File for Lodging Costs that Exceeded Maximum Allowed Amount

Policy FIN 14, Travel and Business Expense states that “*the maximum amounts that can be reimbursed for lodging and meals for domestic travel are indicated in Internal Revenue Service Publication 1542*” (paragraph 1.2.3); and “*an exception to the lodging dollar limit may be made for conference hotels or close proximity to the final business destination when time and commute costs are high when determined by the Travel Coordinator and approved by the Executive Officer*” (paragraph 1.2.3.1).

Lodging Costs Exceeds Maximum Amount. Our review found that two Metro travelers from the Executive Office Strategic Initiatives Department attended the North American Bike Share Association (NABSA) annual conference from November 9 to 11, 2016, in Austin, Texas. NABSA blocked hotel rooms at a special conference rate of \$239 (before tax) for the 3 conference days (November 9-11). The two Metro travelers traveled to Austin on the day before the conference (November 8) because the conference started at 8:00 a.m. on November 9. For the day of arrival, the special conference rate was not available so the travelers each paid \$469 (before tax) and \$239 per day during the conference. Both the \$469 and \$239 lodging rates exceeded the maximum government lodging rate of \$141 for Austin.

Written Documentation not on File. The Metro travelers submitted their Travel and Business Expense Report and were reimbursed by Metro at the \$469 and \$239 lodging rates. However, the required written justification/approval for these higher rates was not on file.

We discussed this matter with the Travel Coordinator, who informed us that she verbally approved the higher lodging rates but did not document the approval in writing at that time. The Travel Coordinator also said: “*Unfortunately the costs of the hotels in the area during this period of travel were above per diem. The hotel was one of the most economical but out of per diem. I made the exception for the higher rate. I don’t have a justification memo for it because I had not implemented our e-mail per diem approval yet.*”

² Federal government per diem rates established by the U.S. General Services Administration and published by the Internal Revenue Service in Publication 1542.

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Executive Officer, Finance. We discussed the lodging rate policy in FIN 14 with the Executive Officer, Finance. He said this policy provides authority to the Travel Coordinator and the relevant Executive Officer to grant an exception on a case-by-case basis to the maximum government lodging rate if the circumstance warrants an exception.

Corrective Actions. The Travel Coordinator informed us of the following actions being initiated:

- The Travel Coordinator attended a training class given by the U. S. General Services Administration recently. She is planning a meeting in July 2017 to discuss whether any revisions to FIN 14 should be made based on the Federal Travel Regulations.
- The Travel Coordinator is planning to establish written procedures and/or checklist(s) to ensure that travel expenses are in compliance with Metro policies including the requirement that a written justification/approval for exceeding the government lodging rate needs to be on file.
- The Travel Coordinator has recently implemented an email per diem approval system, which will document the approval of lodging rates that exceed the maximum amount.

Because corrective actions have been initiated, we are not making a recommendation for this issue.

Summary of Expenses Audited

For the Period from October 1, 2016 to December 31, 2016

Account	Account Description	Total Amount	Sample Amount
50213	Training Program ⁽¹⁾	\$ 44,454	\$ 0
50903	Business Meals	92,645	700
50910	ER Mileage / Parking	7,939	661
50914	Schedule Checkers ⁽¹⁾	1,401	0
50915	Seminar and Conference Fee	130,343	1,097
50917	Business Travel	212,983	12,222
50930	Employee Activities and Recreation ⁽¹⁾	4,113	0
50999	Other Miscellaneous Expenses	<u>\$ 1,322,421</u>	<u>\$ 18,168</u>
Totals		<u>\$ 1,816,299</u>	<u>\$ 32,848</u>

The above amounts do not include transactions that were \$200 or less, credit adjustments, and expenses incurred by the OIG or the Ethics Department.

Note

(1) The random selection process did not result in selection of an item in this account.

Final Report Distribution

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