

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses for the Period  
April 1 through June 30, 2016**

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**The expenses we reviewed generally complied with policies, were reasonable,  
and were adequately supported.**

**Report No. 17-AUD-05**

**March 3, 2017**





# **TABLE OF CONTENTS**

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



**Metro**


Los Angeles County  
Metropolitan Transportation Authority

Office of the Inspector General  
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**DATE:** March 3, 2017

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

**FROM:** George Maycott, Acting Senior Director, Inspector General - Audits 

**SUBJECT:** Statutorily Mandated Audit of Miscellaneous Expenses  
For the Period April 1 through June 30, 2016  
Report No. 17-AUD-05

## INTRODUCTION

The Office of the Inspector General (OIG) performed the mandated audit of miscellaneous expenses for the period of April 1 through June 30, 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 and 3 judgmentally sampled expenses were supported by invoices or receipts. However, we found that one traveler was paid more than the allowable maximum for lodging.

## OBJECTIVES, SCOPE, AND METHODOLOGY OF AUDIT

The objectives of the audit were to determine whether sampled 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 April 1 through June 30, 2016, totaled \$5,290,967<sup>1</sup> (see Attachment A). We reviewed a statistical sample of 31 randomly selected expenses plus three judgmentally selected relocation reimbursement expenses totaling \$34,000.

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 business travel;
- 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;
- 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; and
- Reviewed documentation supporting reimbursement of employee relocation expenses.

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. The Payroll Department processes relocation assistance payments to employees.

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<sup>1</sup> 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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**RESULTS OF AUDIT**

The 34 total expense transactions we audited generally complied with Metro policies, were reasonable, and were adequately supported. However, we found one travel expense where the traveler was reimbursed for lodging in excess of the allowed maximum according to Metro policy.

**One Traveler Was Paid More Than the Allowable Maximum for Lodging.**

We found that one traveler was paid \$228.99 plus taxes for lodging while traveling. The maximum lodging rate for that time and place allowed by the Federal Per Diem rates was \$161.00 plus tax, a difference of \$68.99. The documents supporting the travel indicate that the rate to be used was the \$161.00 rate, and no approval for the deviation is shown.

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).

The Travel Program Coordinator stated that she made the reservation at the higher rate because no rate within the per diem allowance could be located in the area, but she did not document this in the expense support documentation. Furthermore, as a response to a prior OIG report,<sup>2</sup> she implemented a new practice around June 2016 to ensure that the appropriate Executive Officer will provide written approval when such an exception is needed, and the approval is noted on, and attached to, the Travel Authorization.

Since corrective action has been implemented after the date of this sampled expense, no recommendation is made at this time.

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<sup>2</sup> Report Number 16-AUD-07, dated July 22, 2016, titled “Audit of Metro Business Travel Expenses”

## Summary of Expenses Audited

For the Period from April 1, 2016 to June 30, 2016

Account	Account Description	Total Amount	Sample Amount
50213	Training Program <sup>(1)</sup>	\$ 64,425	\$ 0
50903	Business Meals	94,997	2,060
50908	Employee Relocation	83,000	34,000
50910	ER Mileage / Parking <sup>(1)</sup>	10,038	0
50914	Schedule Checkers <sup>(1)</sup>	3,664	0
50915	Seminar and Conference Fee	149,667	2,386
50917	Business Travel	545,303	15,586
50930	Employee Activities and Recreation <sup>(1)</sup>	1,980	0
50999	Other Miscellaneous Expenses	<u>\$ 4,337,893</u>	<u>\$ 298,864</u>
<b>Totals</b>		<b><u>\$ 5,290,967</u></b>	<b><u>\$ 352,896</u></b>

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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James Butts  
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### *Metro Staff*

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Inspector General/Chief Ethics Officer  
Board Secretary  
Chief Financial Officer  
Executive Officer, Finance  
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Deputy Executive Officer, General Services  
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