



Metro

Board Report

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2021-0553, **File Type:** Informational Report

Agenda Number: 17.

FINANCE, BUDGET, AND AUDIT COMMITTEE OCTOBER 20, 2021

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JANUARY 1, 2021
TO MARCH 31, 2021**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of January 1, 2021 to March 31, 2021.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2021 to March 31, 2021. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2021 to March 31, 2021. For this period, miscellaneous expenses totaled \$1,309,650 with 312 transactions. We selected 48 expense transactions totaling \$748,237 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of January 1, 2021 to March 31, 2021

generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for eight of the expenses reviewed, requirements were not followed regarding policies on Purchase Card use and professional memberships, and some payments were recorded to incorrect accounts. All were due to inattention of some staff to thoroughly review the transactions, understand the Chart of Accounts, or faithfully observe deadlines in policies.

Recommendations

We recommend that:

System Security and Law Enforcement

1. Instruct the staff and approving official to verify the billings and check all details for accuracy.

Operations

2. Remind staff to comply with Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms before payment is made.
3. Instruct the Purchase Cardholder to observe their cost center's single purchase limit or request an adjustment in advance in writing from the Procurement P Card Administrator.
4. Check all invoices for accuracy before payment.
5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

Program Management and Information Technology Services

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Accounting Department.

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute in minor respects to cost savings and controls.

EQUITY PLATFORM

There is no equity consideration or impact in this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A: Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2021 to March 31, 2021 (Report No. 22-AUD-01)

Prepared by: Lorena Martinez, Assistant Auditor (Interim), (213) 244-7345
Asuncion Dimaculangan, Senior Auditor, (213) 244-7311
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Sr. Director, Special Projects (Interim), (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

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

**Statutorily Mandated Audit
of Miscellaneous Expenses
January 1, 2021 to March 31, 2021**

Report No. 22-AUD-01

September 07, 2021



TABLE OF CONTENTS

| | |
|--|----|
| INTRODUCTION | 1 |
| OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT | 1 |
| BACKGROUND | 1 |
| RESULTS OF AUDIT | 1 |
| 1. Vendor Charged Metro with Incorrect Sales Tax | 1 |
| 2. Metro Purchased Same Products but Paid Different Prices..... | 2 |
| 3. Non-Compliance with Purchase Card Policy | 2 |
| 4. Non-Compliance with Corporate & Professional Membership Policy..... | 4 |
| 5. Purchase Card Transactions Were Recorded to Incorrect Accounts | 5 |
| OBSERVATIONS..... | 6 |
| CONCLUSION | 9 |
| RECOMMENDATIONS | 10 |
| MANAGEMENT COMMENTS TO RECOMMENDATIONS..... | 10 |
| OIG EVALUATION OF MANAGEMENT RESPONSE..... | 11 |
| ATTACHMENTS | 12 |
| A. Summary of Sampled Expenses Audited | 12 |
| B. Management Comments to Draft Report | 13 |
| C. Final Report Distribution..... | 19 |



DATE: September 7, 2021

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit
Office of the Inspector General

SUBJECT: Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses
January 1, 2021 to March 31, 2021 (Report No. 22-AUD-01)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from January 1, 2021 to March 31, 2021. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and adequately supported by required documents. However, we noted the following issues on eight of the 48 expenses reviewed:

- Vendor charged Metro with incorrect sales tax
- Metro purchased same products but paid different prices
- Non-compliance with Purchase Card policy
- Non-compliance with Corporate & Professional Membership policy
- Purchase Card transactions were recorded to incorrect accounts

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures
- Expenses had proper approval, receipts, and other supporting documentation
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures
- Interviewed Metro personnel including staff in Accounting, Information Technology Services, Program Management, System Security and Law Enforcement, Vendor/Contract Management, and Operations
- Reviewed invoices, receipts, justification memos, and other supporting documents

This audit covered a review of Metro miscellaneous expenses for the period of January 1, 2021 to March 31, 2021. For this period, miscellaneous expenses totaled \$1,309,650¹ with 312 transactions. We selected 48 expense transactions totaling \$748,237 for detail testing. Twenty-nine of the expense transactions were randomly selected, six were selected due to their large dollar amounts, and 13 were selected to add more samples for Conferences/Seminars (Account 50915) and to sample other accounts. See Attachment A for details.

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 conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues on the following eight transactions:

1. Vendor Charged Metro with Incorrect Sales Tax

In March 2019, Metro entered into a contract with Proforce Law Enforcement (Proforce) who provided firearms, accessories, and ammunition for the Agency's Transit Security Department.

¹ This total does not include transactions that were \$200 or less, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

The contractor is based in Arizona but they have a local store in Brea, California where Metro Security Officers can pick up the items upon completion of registration.

The Contract No. DR128764000-60772/PO No. DR60772000 Modification No. 3 effective September 2, 2020 had a contract price of \$76,901. Proforce billed Metro each time Metro's Transit Security Officer picked up firearms, accessories, or ammunition. Our examination of randomly selected invoices found that three out of nine invoices applied sales tax incorrectly which resulted from the vendor's computation based on the old invoices. We expanded our testing to include all invoices paid to Proforce from the beginning of the contract through May 2021. We found that 24 out of 140 invoices had an incorrect computation of sales tax. The vendor calculated the sales tax based on the old invoices with a higher price; some invoices also had higher sales tax rate. Proforce agreed to refund Metro \$311 for the difference in sales tax. We informed Accounting, Vendor/Contract Management, and System Security and Law Enforcement about this matter.

It is important for the staff to check the invoices for all details to ensure that Metro pays the correct amount. The Project Manager stated that going forward, they will check the invoices for accuracy before submitting them for payment.

2. Metro Purchased Same Products but Paid Different Prices

Maintenance Instruction contracted with a vendor, Swagelok, to hold a "Train the Trainer" virtual training course in October 2020 for the proper installation of tube fittings for use in fueling the buses. As such, the department purchased materials from the same vendor which were used in training mechanics in Division 1, Division 5, and Central Maintenance Facility. The P-Card approving official asked the vendor to submit three separate quotes; thus, the vendor issued three invoices for a total amount of \$7,903 which were paid through Purchase Card.

The quotes for the training materials given by the vendor for the three divisions had the same unit price of \$6.80; however, when the vendor billed Metro, the invoice for Division 1 indicated a unit price of \$7.63 – a difference of \$0.83 per unit or \$249 for 300 units of tube fittings. The vendor explained that their system did not automatically update the price to reflect the quantity discount and the prices had to be entered in manually. They missed updating the price manually on the invoice for Division 1. The cost center will coordinate with the vendor for the credit in the price difference.

The staff and the Approving Official should verify all transactions charged to their P-Card for accuracy and validity.

3. Non-Compliance with Purchase Card Policy

All of the issues below (a to c) pertain to the same transaction charged to the P-Card of the Maintenance Instruction Department.

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

a. Purchases in Excess of Limit

As discussed above, Maintenance Instruction purchased training materials from the same vendor who conducted the virtual training. The total purchase price of the training materials/supplies amounted to \$7,903; the cost center's single purchase limit, however, was only \$5,000.

While the training materials were ordered and used for three different divisions, this was still considered one transaction since the same type of product was ordered for the same business purpose and they were all charged to Cost Center 3250 – Maintenance Instruction. The P-Card approving official stated that they were unaware that they exceeded their single purchase limit since they were under the impression that purchases for separate locations were considered separate transactions.

Based on the P-Card policy, a written justification for increases on Single Purchase Limits and/or Monthly Cycle Limits must be submitted to the P-Card Program Administrator for approval before exceeding the purchase limit.

b. No Written Pre-Approval of P-Card Purchases

The Senior Bus Equipment Maintenance Instructor instructed the P-Cardholder to process the payment for virtual training and the training materials; however, we did not find any written pre-approval authorizing the transaction, or a written request and confirmation such as by email.

The P-Card policy requires that the “Approving Official 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.”

The Approving Official stated that he will prepare a written pre-approval request form and send an email to the P-Cardholder to specify what purchases are routinely authorized. Thus, only “exception” purchases would need individual written pre-approval.

The P-Cardholder should only make purchases which are pre-approved in writing.

c. Late Submission and Approval of Purchase Card Reconciliation Package

The P-Cardholder submitted the November 2020 Purchase Card log and supporting documents for \$15,526.98 on December 17, 2020. It was electronically approved by the Senior Bus Equipment Maintenance Instructor on January 15, 2021.

The P-Card policy requires that the P-Card log/package should be approved and forwarded to Accounting by the 15th of the following month (i.e., December 15, 2020). Not turning in monthly statements on time is a violation of the policy.

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

The P-Cardholder explained that he had questions on some invoices and it took some time to receive the responses from the vendors and staff since some people were out of the office because of COVID-19. He added that the holiday season also contributed to the delay in the submission and approval of the P-Card statement.

The cost center requested that the approval notification be sent a second time to the approver a few days before the approval deadline. Accounting advised us that as they have completed the P-Card enhancements, starting with July 2021 statements, they are implementing courtesy reminder notices prior to statement due date/deadline and notices of delinquency after the due date/deadline. The request to approve will have a link for the approver and a delinquent notice will have a link for the approver again if the statement has already been submitted by the P-Card holder but has not yet been approved.

It is important that the P-Card summary and reconciliation package are submitted and approved in a timely manner to closely monitor the department's expenditures and budgets. If P-Cardholders are delinquent with their P-Card logs, their cost center's account balances are not current because they do not reflect all the purchases made. In addition, prompt submission of the P-Card statement and reconciliation package will give Accounting more time to review the transactions and ensure that purchases are made in accordance with Metro policy. All program participants involved in the reconciliation process should be reminded of the importance of ensuring a timely submittal and approval of the monthly statement.

4. Non-Compliance with Corporate & Professional Membership Policy

In February 2021, the P-Cardholder of Central Instruction - Maintenance paid the National Fire Protection Association (NFPA) \$996.99 for an employee's membership and for the NFPA Link Team Plan where Metro staff can access online seminars, among other benefits. However, the professional membership form was not submitted for management approval and documentation to the Training and Development Department.

Section 2.2 of the Corporate and Professional Membership (HR6) policy states "*The requesting employee must complete and submit to Training and Development (T&D) the Corporate and Professional Membership Information form, membership application or renewal notice, and method of payment (electronic check request or Purchase Card).*"

Corporate and Professional memberships benefit the Agency from participation in technical or industry trade organizations whose goals and objective are agency-related or a requirement for professional certification. Professional membership promotes professional development and helps the staff remain current with industry practices and business standards.

The approving official of the P-Card, who was also the NFPA member, stated that their non-compliance with the policy was "mainly due to oversight".

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

It is important to submit the required form to secure the approval of the member's supervisor and T&D. Each fiscal year, T&D makes the list of membership and in reviewing the number of requests for individual memberships, T&D can assist in obtaining group membership discount rates within the professional organization if they are available. It can also avoid paying for duplicate corporate memberships by multiple departments.

5. Purchase Card Transactions Were Recorded to Incorrect Accounts

a. Corporate membership recorded to different accounts

In February 2021, the P-Cardholder of Highway Capital (Cost Center 4710) renewed the Agency's membership with the Institute of Transportation Engineers (ITE) for 2021. The total cost of the public agency membership was \$4,000 for 38 current members across different cost centers.

The corporate membership fee was charged to nine cost centers; however, the transaction was recorded in eight cost centers to incorrect accounts: Professional Membership (50912) and Miscellaneous Expenses – Others (50999), instead of recording it to Corporate Membership (50905).

The P-Cardholder explained that she used different accounts because those were the account codes given to her by the cost centers.

b. Software license recorded as Miscellaneous Expenses – Others

The P-Cardholder of Information Management (Cost Center 9210) paid \$1,790 for a software license and erroneously recorded it as Miscellaneous Expenses – Others (50999), instead of Material and Supplies – Computer Equipment and Supplies (account 50432).

The P-Cardholder stated that he used account 50999 because it was a software license, and not tangible computer equipment. We explained to him that based on the Metro Chart of Accounts, account number 50432 is described as *“payment for computer equipment such as CPUs, monitors, printers, drives, modems, plotters, text scanners, software, and peripherals below the capitalization threshold and for computer expendable supplies, such as printer ink, ribbons, computer papers, green bar forms, and other computer forms.”*

c. Professional membership recorded as seminars

The membership to National Fire Protection Association (NFPA) for \$475.00 as mentioned in section number 4 above was erroneously recorded as Seminars/Conferences (account number 50915), instead of Professional Membership (account number 50912).

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

The P-Cardholder recorded the transaction to the incorrect account because the payment for both membership and the NFPA link for online seminars was made at the same time.

It is important that transactions are recorded to the correct accounts for budget and monitoring purposes.

The staff and Approving Official should check the Chart of Accounts posted in Metro's intranet or consult with Accounting Department if they have questions regarding which expense account to use.

OBSERVATIONS

In the course of our audit, we made some observations when comparing the miscellaneous expenses for this quarter with the prior period and prior year as well as pre-pandemic vs. pandemic periods. (Note: All amounts were based on audit population.)

a. Current Quarter vs. Last Quarter Miscellaneous Expenses

Miscellaneous expenses increased from \$797,703 last quarter to \$1.31 million this quarter, an increase of almost \$512,000 or 64% over the prior quarter. This was mainly due to the following: (a) \$339,895 increase in advertising expense which includes almost a \$300,000 payment for "Metro's COVID-19 Response and "Return to Service" campaigns; and (b) increase in miscellaneous expense (account 50999) due to 30,000 TAP cards with two-day passes worth \$270,000 given to seniors to help them get to vaccine centers. Corporate membership decreased by \$124,645 but this was only due to a timing difference; Metro made payments after the temporary moratorium on miscellaneous expenses ended on October 1, 2020, including payment to APTA for \$146,500 for the period July 1, 2020 to June 30, 2021. Other accounts posted a minimal decrease compared to the prior quarter. See Table 1 below:

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

Table 1: Current Quarter vs. Last Quarter

| Account | Jan-Mar 2021 | Oct-Dec 2020 | Increase (Decrease) |
|---------------------------------------|---------------------|---------------------|--------------------------------|
| Advertising | \$ 572,451 | \$ 232,556 | \$ 339,895 |
| Corporate Membership | 79,779 | 204,424 | (124,645) |
| Seminar and Conference Fee | 32,170 | (12,636) ** | 44,806 |
| Miscellaneous * | 596,972 | 304,156 | 292,816 |
| Others (Business meals, travel, etc.) | 28,278 | 69,203 | (40,925) |
| Total | \$ 1,309,650 | \$ 797,703 | \$ 511,947 |
| Increase over Prior Quarter | | | 64% |

*Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others.

** Credit balance due to refund and other adjustments.

b. Current Quarter vs. Same Quarter of Last Year Miscellaneous Expenses

Miscellaneous expenses from January to March 2021 decreased by \$773,536 or 37% lower than the same quarter of last year. Except for miscellaneous expense (account # 50999), all expenses decreased in the current period. Significant decreases were seen in business travel which amounted to \$3,000 only for the current quarter, down by 99% from \$345,006 for the period of January to March 2020 (pre-pandemic); advertising decreased by \$353,608 or 38%. Miscellaneous expense (account # 50999) increased mainly due to the reason stated in the prior subsection a. See Table 2 below:

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

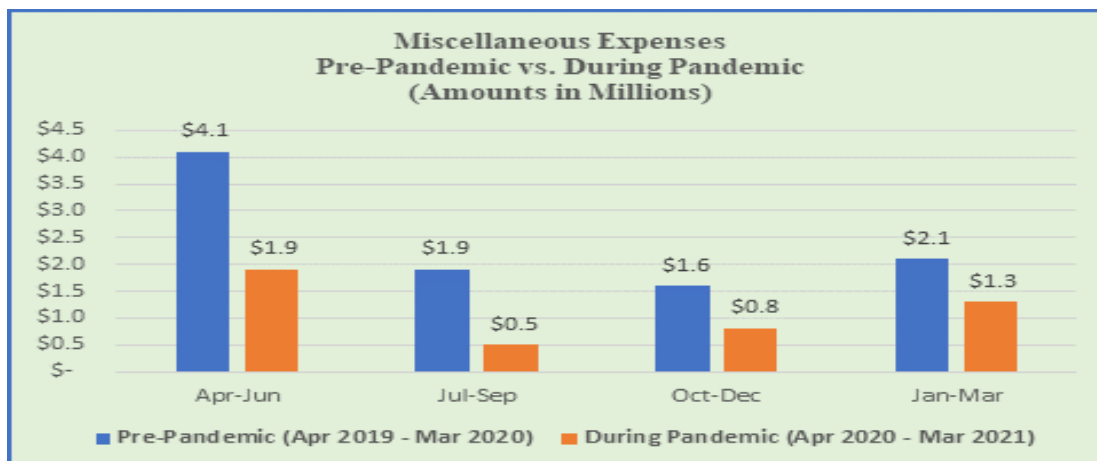
Table 2: Current Quarter vs. Same Quarter of Last Year

| Account | Jan-Mar 2021 | Jan-Mar 2020 | Increase (Decrease) |
|--|---------------------|---------------------|------------------------|
| Advertising | \$ 572,451 | \$ 926,059 | \$ (353,608) |
| Business Meals | 2,912 | 46,842 | (43,930) |
| Business Travel | 2,730 | 345,006 | (342,276) |
| Corporate Membership | 79,779 | 152,433 | (72,654) |
| FB Training | 9,520 | 78,972 | (69,452) |
| Professional Membership | 10,435 | 32,656 | (22,221) |
| Seminar and Conference Fee | 32,170 | 130,014 | (97,844) |
| Miscellaneous | 596,972 | 341,659 | 255,313 |
| Others (Employee activities, etc.) | 2,681 | 29,545 | (26,864) |
| Total | \$ 1,309,650 | \$ 2,083,186 | \$ (773,536) |
| Decrease from Same Quarter of Last Year | | | -37% |

c. Before Pandemic vs. During Pandemic Miscellaneous Expenses (April 2020 to March 2021 vs. April 2019 to March 2020)

Miscellaneous expenses for the period of April 2020 to March 2021 amounted to \$4.5 million or an average of \$1.1 million per quarter – with amounts ranging from \$484,000 to \$1.9 million per quarter. In contrast, prior to pandemic, total miscellaneous expenses from April 2019 to March 2020 amounted to almost \$10 million or an average of \$2.5 million per quarter. For the said period, miscellaneous expenses ranged from \$1.6 million to \$4 million per quarter. See Figure 1 below:

Figure 1: Miscellaneous Expenses Pre-Pandemic vs. During Pandemic



Statutorily Mandated Audit of Miscellaneous Expenses

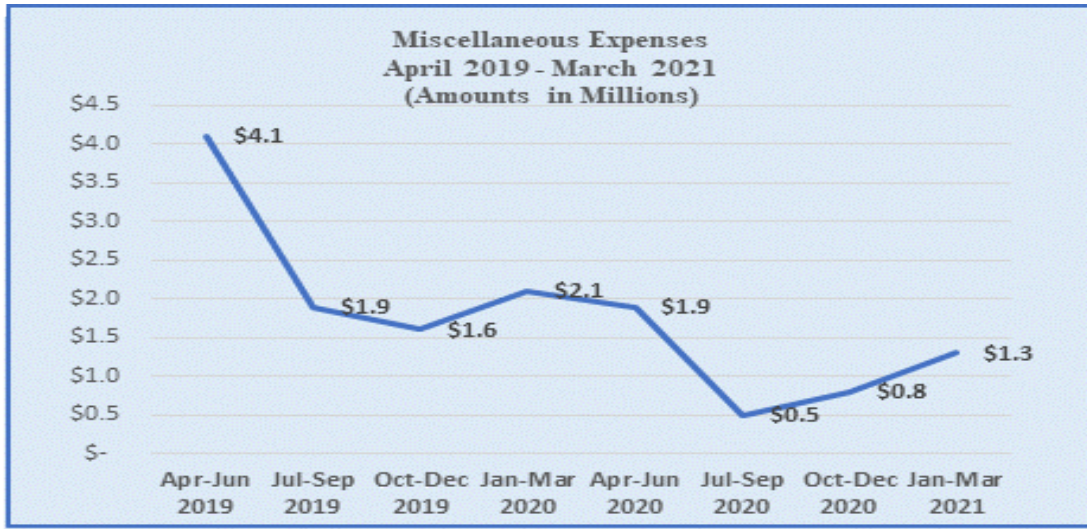
January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

Figure 2 below shows the spending trend for miscellaneous expenses from April 2019 to March 2021:

Figure 2: Miscellaneous Expenses Spending Trend April 2019 to March 2021



The significant reduction in spending during the pandemic period was mainly due to the employees' compliance with the former Chief Executive Officer's mandate for cost savings actions from April 20 to October 1, 2020. One of them was to cease expenditure in travel, seminar, business meals, training, membership, advertising, and other miscellaneous expenses. However, after the moratorium ended in October 2020, miscellaneous expenses have been trending upward.

We encourage everyone to continue to be diligent in modest spending especially with the current financial situation of the Agency.

CONCLUSION

The miscellaneous expenses we reviewed for the period of January 1, 2021 to March 31, 2021 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for eight of the expenses reviewed, requirements were not followed regarding policies on Purchase Card use and professional memberships, and some payments were recorded to incorrect accounts. All were due to inattention of some staff to thoroughly review the transactions, understand the Chart of Accounts, or faithfully observe deadlines in policies.

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

RECOMMENDATIONS

We recommend that:

System Security and Law Enforcement

1. Instruct the staff and approving official to verify the billings and check all details for accuracy.

Operations

2. Remind staff to comply with Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms before payment is made.
3. Instruct the Purchase Cardholder to observe their cost center's single purchase limit or request an adjustment in advance in writing from the Procurement P Card Administrator.
4. Check all invoices for accuracy before payment.
5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements in a timely manner.
7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

Program Management and Information Technology Services

8. Ensure that correct accounts are used in all transactions. Remind staff to check the Chart of Accounts or consult with Accounting Department.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On August 20, 2021, we provided Metro Management a draft report. On September 3, 2021, the management completed their responses that summarized their corrective actions, as shown in Attachment B.

Statutorily Mandated Audit of Miscellaneous Expenses

January 1, 2021 to March 31, 2021

Office of the Inspector General

Report No. 22-AUD-01

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

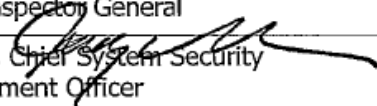
Summary of Sampled Expenses Audited
January 1, 2021 to March 31, 2021

| <i>Account</i> | <i>Account Description</i> | <i>Total Amount</i> | <i>Sample Amount</i> |
|---------------------|------------------------------------|---------------------------|-------------------------|
| 50213 | Training Program | \$ 9,520 | \$ 7,568 |
| 50903 | Business Meals | 2,912 | 1,072 |
| 50905 | Corporate Membership | 79,779 | 300 |
| 50908 | Employee Relocation | 1,700 | 1,700 |
| 50910 | Mileage and Parking | 981 | 760 |
| 50912 | Professional Membership | 10,435 | 1,432 |
| 50914 | Schedule Checkers Travel | 0 | 0 |
| 50915 | Seminar and Conference Fee | 32,170 | 23,375 |
| 50917 | Business Travel | 2,730 | 1,053 |
| 50918 | Advertising | 572,451 | 294,925 |
| 50930 | Employee Activities and Recreation | 0 | 0 |
| 50999 | Other Miscellaneous Expenses | <u>596,972</u> | <u>416,052</u> |
| <i>Total</i> | | <u>\$1,309,650</u> | <u>\$748,237</u> |

Management Comments to Draft Report


Metro

Interoffice Memo

| | |
|----------------|---|
| Date | August 31, 2021 |
| To | Yvonne Zheng, Senior Manager, Audit Office of the Inspector General |
| From | Judy Gerhardt, Chief System Security & Law Enforcement Officer  |
| Subject | Statutorily Mandated Audit of Metro Miscellaneous Expenses – Report No. 22-AUD-01 |

OVERVIEW:

I have reviewed the results of the subject draft report and I concur with the recommendation. Specific response and corrective action to recommendation is provided below.

FINDING #1: Vendor Charged Metro with Incorrect Sales Tax
Recommendation:

1) Instruct the staff and approving official to verify the billings and check all details for accuracy.


Response: Agree – Transit Security Management has placed new processes and procedures in place to help eliminate the inadequate review of invoices. Two separate staff members will review invoices for accuracy prior to approving for payment.

Date of completion: On-going; reviews will be conducted with each invoice received.

Management Comments to Draft Report


Metro

Interoffice Memo

| | |
|----------------|--|
| Date | September 3, 2021 |
| To | Karen Gorman Inspector General |
| From | James T. Gallagher  Chief Operations Officer |
| Subject | Management Response to the Audit of Metro Miscellaneous Expenses (Report # 22- AUD-01) |

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from January 2021 – March 2021 in the Bus Maintenance unit within Operations. The report includes the following recommendation:

2. Remind staff to comply with Corporate and Professional Membership (HR 6) policy; prepare, submit, and obtain completed and approved forms before payment is made.

Response: Agree; Bus Maintenance has reminded staff to comply with our Corporate and Professional Membership (HR 6) policy. They understand that they must submit the required form to secure the approval of the member's supervisor and Talent & Development before paying any memberships on a P-card.

3. Instruct the Purchase Cardholder to observe their cost center's single purchase limit or request an adjustment in advance in writing from the Procurement P Card Administrator.

Response: Agree; all Bus Maintenance Instruction p-card program participants have been advised that although they may be purchasing items for various divisions necessary for training, they must still comply with current p-card single purchase limits.

4. Check all invoices for accuracy before payment.

Response: Agree; the department will remind P-card holders and approvers to check all invoices for accuracy before payment. Bus Maintenance Division 1 & Bus Maintenance Instruction has coordinated with the vendor for the credit in the price difference for training materials for tube fitting installation.

5. Require the Purchase Cardholder and Approving Official to comply with the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

Response: Agree; The Cardholder and Approving Official are aware of routine purchases and have been advised that any exception purchases should only be made with pre-approvals in writing, in advance of such purchases.

Management Comments to Draft Report

6. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements in a timely manner.

Response: Agree; P-card program participants involved in the reconciliation process will be advised to submit and approve monthly statements in a timely manner. Specifically, this requires P-Card logs/packages to be approved and forwarded to Accounting by the 15th of the following month.

7. Remind the Cardholder and Approving Official to charge P-Card purchases to the proper account.

Response: Agree; P-Card program participants have been advised to ensure transactions are recorded to the correct accounts for budget and monitoring purposes.

CC: Yvonne Zheng, Sr. Mgr., Audit
Asuncion (Susie) Dimaculangan, Senior Auditor
Diane Corral-Lopez, EO, Operations Administration
James Pachan, Sr. EO, Bus Maintenance (Interim)
Nancy Alberto-Saravia, Director, Finance & Administration

Management Comments to Draft Report


Metro

Interoffice Memo

| | |
|----------------|---|
| Date | August 31, 2021 |
| To | Yvonne Zheng Sr Manager, Audit |
| From | Bryan Pennington <i>BNP</i> Chief Program Mgmt Officer (Interim) |
| Subject | Response to OIG Audit No. 22-AUD-01 |

This memo is in response to the Office of the Inspector General audit, 22-AUD-01, which found Program Management Purchase Card transactions were recorded to the incorrect account. Program Management agrees with the Office of the Inspector General (OIG) recommendation to remind staff to check the Descriptive Chart of Accounts or consult with the Accounting Department when allocating purchase card charges.

Program Management's corrective action:

An interoffice memo was sent via email on August 31, 2021, reminding all Program Management purchase card holders to refer to the Descriptive Chart of Accounts when preparing purchase card logs, and to contact Metro's Accounting Department for questions regarding account descriptions.

Please contact me at x27449 if you would like to discuss or require additional information.

Attachment:

August 31, 2021 Interoffice Memo to Program Management Purchase Card Holders

Management Comments to Draft Report

**Metro**

Interoffice Memo

| | |
|----------------|---|
| Date | August 31, 2021 |
| To | Program Management Purchase Card Holders |
| From | Bryan Pennington <i>BNP</i> Chief Program Mgmt Officer (Interim) |
| Subject | Descriptive Chart of Accounts |

Metro's Office of the Inspector General recently conducted an audit and found Program Management charged the incorrect accounts in processing a Purchase Card transaction. I am reminding Program Management Purchase Card holders to refer to and follow the attached Descriptive Chart of Accounts. For questions regarding account descriptions, contact Metro's Accounting Department.

Attachement:
Descriptive Chart of Accounts – updated June 26, 2017

Management Comments to Draft Report


Metro™

Interoffice Memo

| | |
|---------|--|
| Date | August 31, 2021 |
| To | Yvonne Zheng, Senior Manager, Audit Office of the Inspector General |
| From | Bryan M. Sastokas, Chief Information Technology Officer |
| Subject | Audit of Metro Miscellaneous Expenses January 1, 2021 to March 31, 2021 (Report No. 22-AUD-01) |

This memo is written in response to the recommendation addressed to ITS in the Audit of Metro Miscellaneous Expenses (Report No. 22-AUD-01).

**Recommendation #8: Ensure that correct accounts are used in all transactions.
Remind staff to check the Chart of Accounts or consult with Accounting Department.**

Management's Response: We concur with your recommendation.

CC: Medik Ghazikhanian
Bill Balter
Joseph Hernandez
Al Martinez

Bryan M. Sastokas

Digitally signed by Bryan M.
Sastokas
Date: 2021.09.03 08:58:35 -07'00'

Final Report Distribution

Board of Directors

Kathryn Barger
Mike Bonin
James Butts
Jacquelyn Dupont-Walker
Fernando Dutra
Eric Garcetti
Janice Hahn
Paul Krekorian
Sheila Kuehl
Holly Mitchell
Ara Najarian
Tim Sandoval
Hilda Solis
Anthony Tavares

Metro

Chief Executive Officer
Chief of Staff
Board Clerk
Inspector General
Chief Finance Officer
Chief Information Technology Officer
Chief Operations Officer
Chief Program Management Officer (Interim)
Chief System Security and Law Enforcement Officer
Chief Vendor/Contract Management Officer
Executive Officer, Finance/Controller
Executive Officer, Administration
Audit Support Manager
Manager, Records & Information Management

Audit of Miscellaneous Expenses January to March 2021

OIG Report No. 22-AUD-01

Karen Gorman, Inspector General

October 20, 2021



Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures
- Expenses had proper approval, receipts, and other supporting documentation
- Policies and procedures are adequate to ensure that expenses are documented and accounted for properly

Results

- Staff generally complied with Metro policies
 - Few exceptions on Purchase Card usage and payment of professional membership
- ❖ **OIG provided eight recommendations**

