



## Board Report

**File #:** 2021-0671, **File Type:** Informational Report

**Agenda Number:** 16.

### FINANCE, BUDGET, AND AUDIT COMMITTEE NOVEMBER 17, 2021

**SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2021 TO JUNE 30, 2021**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2021 to June 30, 2021.

#### **ISSUE**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2021 to June 30, 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 April 1, 2021 to June 30, 2021. For this period, miscellaneous expenses totaled \$3,961,106 with 447 transactions. We selected 45 expense transactions totaling \$2,215,804 for detail testing.

#### **DISCUSSION**

The miscellaneous expenses we reviewed for the period of April 1, 2021 to June 30, 2021 generally complied with policies, were reasonable, and adequately supported by required documents.

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However, we found that for eight of the expenses reviewed, requirements were not followed regarding Purchase Card policies and Travel and Business Expense. Seven staff did not comply in submitting the required reports on time and one Purchase Cardholder failed to obtain written pre-approval for purchases made.

### **Recommendations**

We recommend that:

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

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

Planning and Development (Grants Management and Oversight):

2. In addition to the above recommendation, consider the Purchase Cardholder going to the office once a month in order to complete the task on time if it cannot be done remotely. Otherwise, use other payment options such as Check Request instead of using Purchase Card to purchase items that the department needs.

Operations (Maintenance of Way and Operations Liaison):

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track staff travel activity and their respective TBE reports.

Chief People Office (Administrative Support):

5. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.
6. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

### **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**

It is the OIG's opinion that 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 April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03)

Attachment B: PowerPoint Presentation

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George Maycott, Sr. Director, Special Projects (Interim), (213) 244-7310

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

A handwritten signature in blue ink, appearing to read "Karen Gorman", is written over a horizontal line.

Inspector General/Chief Hearing Officer

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

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**Statutorily Mandated Audit  
of Miscellaneous Expenses  
April 1, 2021 to June 30, 2021**

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**Report No. 22-AUD-03**

**October 22, 2021**



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**DATE:** October 22, 2021

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

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

**E-SIGNED by Yvonne Zheng  
on 2021-10-22 13:50:19 PDT**

**SUBJECT:** Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses  
April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2021 to June 30, 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 45 expenses reviewed:

- Non-Compliance with Purchase Card Policy
- Non-Compliance with Travel and Business Expense Policy

## **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**

**April 1, 2021 to June 30, 2021**

**Office of the Inspector General**

**Report No. 22-AUD-03**

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

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Communications, Chief Policy Office, Human Capital and Development, Operations, Planning and Development, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro miscellaneous expenses for the period of April 1, 2021 to June 30, 2021. For this period, miscellaneous expenses totaled \$3,961,106<sup>1</sup> with 447 transactions. We selected 45 expense transactions totaling \$2,215,804 for detail testing. Thirty of the expense transactions were randomly selected, six were selected due to their large dollar amounts, and nine were selected to add more samples for Corporate Membership (Account 50905) 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:

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<sup>1</sup> 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

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

## 1. Non-Compliance with Purchase Card Policy

Criteria: Pursuant to the Purchase Card (P-Card) policy, the Cardholder must forward the P-Card package (monthly P-Card log, reconciled monthly bank statement, and receipts) to the designated Approving Official for review and approval within five working days of receipt of the bank statement. The Approving Official, in turn, should review and approve statement packages within five working days from the date of receipt. The P-Card package should be received by Accounting not later than the 15<sup>th</sup> day of the following month.

We found that seven out of 17 sampled P-Card transactions we reviewed disclosed non-compliance with the policy, as discussed below:

### a. Late Submission and/or Approval

Our audit found that the following cost centers failed to submit and/or approve their P-Card package on time:

No.	Cost Center	P-Card Statement Date	Statement Amount/No. of Transactions	Date Submitted	Remarks
1	Planning & Development (P&D)	10/22/2020	\$2,192.54 (6 Transactions)	Submitted 3/11/2021; approved 6/02/2021	Late submission by four months & late approval by three months
	Reason: Cardholder stated that he cannot remember the exact reason for late submission but added that he is now submitting the reconciliation package on time.  The Approving Official electronically approved the statement in March but did not realize that it did not go through in the system until Accounting advised him in June.				
2	P&D: Grants Management & Oversight	12/22/2020	\$2,334.00 (3 Transactions)	5/25/2021	Late by four months
	Reason: Cardholder stated that “the late submission and approval was the indirect result of staff adherence to Metro policies that prevented equipment purchase and distribution to employees working remotely as a result of Safer-At-Home orders enacted to mitigate impacts of the unexpected global health emergency. Lack of equipment (ex: scanners) and software (ex: licensed PDF or other tools enabling digital signatures or document capture) for facilitating review, signature collection, and digital upload at the remote locations prevented completion of the established workflow within expected processing timeframes.”				



# Statutorily Mandated Audit of Miscellaneous Expenses

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	<p>The Approving Official confirmed that they “were given explicit direction to not purchase equipment for use at the locations being used for work during the pandemic – which were overwhelmingly not Metro facilities (most likely employee homes).”</p> <p>As we discussed the finding with her, she stated that “we already advised our chain of command on the upcoming report and our recommendation to acknowledge the finding and agree to any necessary changes within Planning’s control.”</p>				
3	Marketing	1/22/2021	\$2,110.78 (66 Transactions)	5/21/2021/	Late by three months
	<p>Reason: Cardholder explained that the P-Card purchases he made were not ordinary purchases (the items were for Metro online shop) and it took him a long time to complete the reconciliation. He added there were several layers of processes involved in the reconciliation, and it was really time-consuming and a little complicated with a high volume of transactions each month. He added that he was also busy with other tasks.</p> <p>The Approving Official informed us that he discussed the issue with the Cardholder who “committed to submitting P-Card log/packages in a timely manner.” He mentioned that the latest monthly statement was submitted and approved on time.</p>				
4	Emergency Management	2/22/2021	\$376.47 (1 Transaction)	6/29/2021/	Late by three months
	<p>Reason: Cardholder stated “Honestly, I forgot. I won’t go into the details, except that I was extremely busy at work and personally.”</p>				
5	Records & Information Management	4/22/2021	\$1,729.09 (12 Transactions)	6/22/2021/	Late by one month
	<p>Reason: Cardholder stated that he “manages all procurement, support, maintenance, and implementation of systems for the Library and Records Mgmt. The systems totaling 47+ systems include the Board, Board Archives, Legal Hold, Ontology/Taxonomy, Records Retention Schedule, Federated Search, and Universal Records Management systems.” He added that he manages all of these systems with a staff of two, including himself.</p> <p>The Approving Official said that they are aware of the deadlines and will work diligently to meet them. He said that their department is currently understaffed.</p>				

## Statutorily Mandated Audit of Miscellaneous Expenses

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6	Admin Business Services	2/22/2021	\$90,645.93  (118 Transactions)	Submitted 3/23/2021; approved 5/20/2021	Late approval by two months
	<p>Reason: Cardholder worked on some payments and credit issues; both cardholder and Approving Official availed of Voluntary Separation Incentive Program (VSIP) early this year and the department had to reorganize; the temporary replacement for P-Card approver was not trained until late April.</p> <p>The Executive Officer informed us that the staff has already been advised by the Manager and <i>“there has been regular follow-up to ensure that reconciliation and status updates occur. As a result, an online log was put in place and is being monitored by the Deputy Executive Officer to ensure timely processing until the vacant Administrative Aide and Sr. Manager positions are permanently filled.”</i></p>				

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.

### **b. No Written Pre-approval of P-Card purchases**

The Cardholder of Wayside Systems Track Maintenance purchased books on Principles of Track Maintenance for \$3,793.40 on April 8, 2021; however, we did not find any written pre-approval authorizing this transaction. There was no written request such as an email or interoffice memo before the purchase was made.

The Cardholder stated that he obtained verbal pre-approval to purchase the items and his proof was the signature of the approving official on the credit card statement.

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.”*

Securing written approval prior to making purchases ensures that transactions are authorized and valid. The Cardholder and Approving Official should be aware of the pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.

# Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

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## 2. Non-Compliance with Travel and Business Expense Policy

### Travel and Business Expense (TBE) Report Was Submitted Almost Two Years After Travel

The Superintendent of Operations Liaison and Planning attended the APTA Conference in Toronto, Ontario, Canada from June 23 to 26, 2019. However, the employee did not submit his TBE Report with reimbursable expenses of \$1,968.94 until March 21, 2021 - almost two years later – just before he retired in the same month. It was approved by his Supervisor and the Travel Program Administrator in May 2021 and by the Chief Operations Officer on June 24, 2021.

The Travel and Business Expense Policy (FIN 14) requires that the *“TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.”*

The employee explained in his memo that he was unable to locate the receipts for his luggage (\$60.26) and taxi (\$51.07) and hoped that he would eventually find them but did not have any luck. He added that he changed departments and got busy; thus, he was unable to submit the TBE Report on time.

The Travel Program Administrator stated that after the employee retired in March, she worked with his department’s administration staff to get the report approved because there were some items that she needed prior to her approval.

It is important that TBE reports are submitted in a timely manner in order for the expense to be recorded in the proper accounting period and for their department’s budget balances to be updated.

Staff should be reminded to submit TBE Reports in a timely manner. The traveler’s department and Travel Program Administrator should keep track of travels for which the TBE Report has not yet been submitted.

## OBSERVATIONS

### 1. Corporate Membership for Fiscal Year 2022 Recorded in Fiscal Year 2021

The following annual memberships for Fiscal Year 2022 were recorded as expenses for Fiscal Year 2021:

- American Public Transportation Association (APTA) - \$146,500
- Mobility 21 Transportation Coalition - \$25,000

# Statutorily Mandated Audit of Miscellaneous Expenses

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The staff in Board Relations who filled out the Corporate Membership form and submitted the check request explained that the error was due to oversight. Upon our inquiry, Accounting coordinated with the cost center and made an adjusting entry to record the expenses to the correct accounting period.

It is important that transactions are recorded in the proper accounting period to monitor the department's expenditures and budgets in each period, and for their department's budget balances to be updated.

## 2. Comparison of Miscellaneous Expenses for the Current Period with Prior Period/Year

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period and prior year. (Note: All amounts were based on audit population.)

### a. Current Quarter (FY21 Q4) vs. Last Quarter Miscellaneous Expenses (FY21 Q3)

Miscellaneous expenses tripled from \$1.3 million last quarter to almost \$4 million this quarter, an increase of approximately \$2.7 million over the prior quarter. This was mainly due to the \$2.6 million increase in advertising expense because of media campaigns on Micro Transit, "Return to Service," bus operator recruitment, ridership, and others.

Corporate membership increased by \$218,800 but this was mainly due to FY22 membership stated in section 1 above that was erroneously recorded this quarter/fiscal year.

The decrease of \$211,751 in Miscellaneous expense (account 50999) was mainly due to payment made last quarter for TAP cards worth \$270,000; the cards were given to seniors to help them get to vaccine centers. Other accounts posted a minimal increase compared to the prior quarter. See Table 1 below:

# Statutorily Mandated Audit of Miscellaneous Expenses

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**Table 1: Current Quarter vs. Last Quarter**

Account	Apr-Jun 2021	Jan-Mar 2021	Increase (Decrease)
Advertising	\$ 3,162,947	\$ 572,451	\$ 2,590,496
Business Travel	17,476	2,730	14,746
Corporate Membership	298,579	79,779	218,800
Professional Membership	18,625	10,435	8,190
Seminar and Conference Fee	59,466	32,170	27,296
Miscellaneous (50999) *	385,221	596,972	(211,751)
Others (Business meals, etc.)	18,792	15,113	3,679
<b>Total</b>	<b>\$ 3,961,106</b>	<b>\$ 1,309,650</b>	<b>\$ 2,651,456</b>
<b>Increase over Prior Quarter</b>			<b>202%</b>

\*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. (Source: Metro's Descriptive Chart of Accounts)

## b. Current Quarter (FY21 Q4) vs. Same Quarter of Last Year (FY20 Q4) Miscellaneous Expenses

Miscellaneous expenses doubled in the current quarter compared to the same quarter of last year, mainly due to advertising and corporate membership, as explained in section (a) above. See Table 2 below:

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

Account	Apr-Jun 2021	Apr-Jun 2020	Increase (Decrease)
Advertising	\$ 3,162,947	\$ 1,022,171	\$ 2,140,776
Business Travel	17,476	375,121	(357,645)
Corporate Membership	298,579	44,000	254,579
Professional Membership	18,625	11,461	7,164
Seminar and Conference Fee	59,466	54,881	4,585
Miscellaneous (50999) *	385,221	314,239	70,982
Others (Business meals, etc.)	18,792	80,463	(61,671)
<b>Total</b>	<b>\$ 3,961,106</b>	<b>\$ 1,902,336</b>	<b>\$ 2,058,770</b>
<b>Increase over Same Quarter of Last Year</b>			<b>108%</b>

## Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

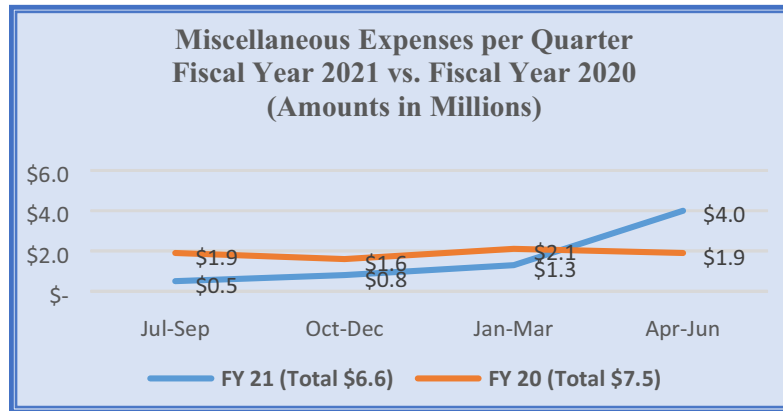
Office of the Inspector General

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### c. Fiscal Year 2021 (July 2020 - June 2021) vs. Fiscal Year 2020 (July 2019 - June 2020)

Miscellaneous expenses for the Fiscal Year (FY) 21 amounted to \$6.6 million or an average of \$1.6 million per quarter. In comparison, total miscellaneous expenses for FY 20 amounted to \$7.5 million or \$1.9 million per quarter. See Figure 1 below:

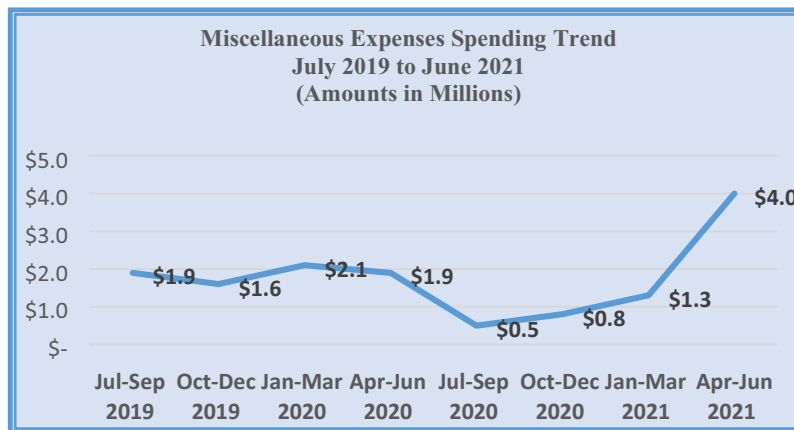
**Figure 1: Miscellaneous Expenses per Quarter – FY 21 vs. FY 20**



As mentioned in our previous report, Audit of Miscellaneous Expenses from January 1 to March 31, 2021 (22-AUD-01), cost savings measures were implemented from April 1 to October 1, 2020, in compliance with the former Chief Executive Officer's mandate to cease expenditure in travel, seminar, business meals, training, membership, advertising, and other miscellaneous expenses.

Figure 2 below shows the spending trend for miscellaneous expenses from July 2019 to June 2021:

**Figure 2: Miscellaneous Expenses Spending Trend - July 2019 to June 2021**



## Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2021 to June 30, 2021

Office of the Inspector General

Report No. 22-AUD-03

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As shown in the above chart, after the cost savings actions ended in October 2020, miscellaneous expenses have been trending upward. As discussed in 2.a above, out of \$4 million expenses in the current quarter, \$3.16 million or about 80% was spent for advertising.

## CONCLUSION

The miscellaneous expenses we reviewed for the period of April 1, 2021 to June 30, 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 Purchase Card policies and Travel and Business Expense. Seven staff did not comply in submitting the required reports on time and one Purchase Cardholder failed to obtain written pre-approval for purchases made.

## RECOMMENDATIONS

We recommend that:

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

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

Planning and Development (Grants Management and Oversight):

2. In addition to the above recommendation, consider the Purchase Cardholder going to the office once a month in order to complete the task on time if it cannot be done remotely. Otherwise, use other payment options such as Check Request instead of using Purchase Card to purchase items that the department needs.

Operations (Maintenance of Way and Operations Liaison):

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing.
4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track staff travel activity and their respective TBE reports.

## **Statutorily Mandated Audit of Miscellaneous Expenses**

**April 1, 2021 to June 30, 2021**

**Office of the Inspector General**

**Report No. 22-AUD-03**

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### Chief People Office (Administrative Support):

5. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.
6. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On October 8, 2021, we provided Metro Management a draft report. On October 22, 2021, Metro Management submitted their responses summarizing their corrective actions, as shown in Attachment B.

## **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**  
**April 1, 2021 to June 30, 2021**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 11,989	\$ 1,495
50903	Business Meals	2,446	300
50905	Corporate Membership	298,579	250,939
50908	Employee Relocation (a)	0	0
50910	Mileage and Parking	4,357	760
50912	Professional Membership	18,625	1,140
50914	Schedule Checkers Travel (b)	0	0
50915	Seminar and Conference Fee	59,466	2,125
50917	Business Travel	17,476	2,378
50918	Advertising	3,162,947	1,871,695
50930	Employee Activities and Recreation (a)	0	0
50999	Other Miscellaneous Expenses	<u>385,221</u>	<u>84,972</u>
	<b>Total</b>	<b><u>\$3,961,106</u></b>	<b><u>\$2,215,804</u></b>

(a) No transaction for this quarter

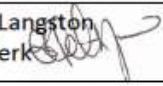
(b) Transactions below \$200; thus, not included in the audit population

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

Date	October 8, 2021
To	Yvonne Zheng Sr. Manager, Audit
From	Collette Langston Board Clerk 
Subject	Response to OIG Audit No. 22-AUD-03

This memo is in response to the Office of the Inspector General audit, 22-AUD-03, which found Records and Information Management noncompliant with Metro's Purchase Card Policy due to late submission of the reconciliation package for payment.

Board Administration agrees with the Office of the Inspector General (OIG) that it is important that the P-Card summary and reconciliation package are submitted and approved in a timely manner.

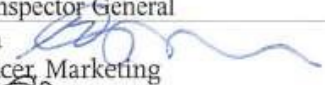

Staff responsible for the reconciliation process have been advised to submit and approve monthly statements in a timely manner.

Please contact me at 213.364.6681 if you would like to discuss or require additional information.

## Management Comments to Draft Report


**Metro**

### Interoffice Memo

<b>Date</b>	10/13/2021
<b>To</b>	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
<b>From</b>	Glen Beccerra  Executive Officer, Marketing
<b>Through</b>	Yvette Raposey  Chief Communications Officer
<b>Subject</b>	Audit of Metro Miscellaneous Expenses April 1, 2021 to June 30, 2021

This memo is Communications' management's response to the recommendations in the Statutorily Mandated Audit of Metro Miscellaneous Expenses for the period of April 1, 2021 to June 30, 2021.

#### Recommendation

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

#### Management Response

Communications management agrees with the OIG recommendations.

The cardholder explained that the P-card purchases he made were not ordinary purchases and therefore, took him a long time to reconcile. Given the nature of such purchases, in the future, the employee has been instructed to reserve the needed time to complete the reconciliation on time. Since that time, he has been working diligently and has submitted the PCard reconciliation on time.

Please contact me at (213) 418-3154 [raposey@metro.net](mailto:raposey@metro.net) if you have any questions.

## Management Comments to Draft Report


**Metro**

### Interoffice Memo

<b>Date</b>	October 15, 2021
<b>To</b>	Karen Gorman Inspector General
<b>From</b>	James T. Gallagher <i>JTG</i> Chief Operations Officer
<b>Subject</b>	Management Response to the Audit of Metro Miscellaneous Expenses (Report # 22- AUD-03)

Operations Management has received and reviewed the Audit of Metro Miscellaneous Expenses for transactions processed from April 2021 – June 2021 in the Maintenance & Engineering and Operations Liaison units within Operations. The report includes the following recommendations for Operations:

3. Remind the Purchase Cardholder and Approving Official to be aware of the written pre-approval policy; the Cardholder should only make purchases which are pre-approved in writing

**Response:** Agree; Maintenance & Engineering purchase cardholders and approval officials have been reminded to be aware of the written pre-approval policy for all purchases and that cardholders should only make purchases which are explicitly pre-approved in writing by their supervisor and approving official.

4. Instruct staff to submit Travel and Business Expense (TBE) Reports in a timely manner and monitor and track travel activity and their respective TBE reports.

**Response:** Agree; Operations Liaison staff have been reminded to submit TBE's in a timely manner to the Travel Program Administrator or no later than 30 days of the date returning from travel, or from date of credit card statement.


CC: Yvonne Zheng, Sr. Mgr., Audit  
 Diane Corral-Lopez, EO, Operations Administration  
 Paul Squires, Director, Wayside Systems  
 Frank Alejandro, Sr. Executive Officer, Operations Liaison  
 Errol Taylor, Sr. Executive Officer, Maintenance & Engineering (Acting COO)  
 Nancy Alberto-Saravia, Director, Finance & Administration



## Management Comments to Draft Report


**Metro**

### Interoffice Memo

Date	October 15, 2021
To	Karen Gorman Inspector General
From	Debra Avila  Chief Vendor/Contract Management Officer
Subject	Response to OIG Draft Report, Audit of Misc. Expenses (Report No. 22-AUD-03)

#### **OVERVIEW**

I have reviewed the results of the subject draft report and concur with the findings and recommendations for V/CM in the report.

#### **RESULTS OF AUDIT**

Corrective measures have been taken by V/CM, and are included below under the heading **PROPOSED ACTIONS**, to correct the observation that sampled P-Card transactions reviewed disclosed noncompliance with the policy, AND cost centers failed to submit and/or approve their P-Card package on time.

#### **RECOMMENDATION**

Customer Experience Office (Communications), Office of Board Administration, Planning and Development (Real Estate and Grants Management and Oversight), Chief Safety Office (System Security & Law Enforcement), and Strategic Financial Management (Vendor/Contract Management):

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

#### **PROPOSED ACTIONS**

Vendor/Contract Management concurs with this recommendation and the department will continue to address the timely submission of statements.

The Executive Officer over Support Services, the department responsible for PCard activity for V/CM, has sent out a communication to staff on September 15, 2021 (see Figure 1 below) to ensure that reconciliation and status updates occur timely. In addition, an online log (see Figure 2 below) was put in place and is being monitored by the Deputy Executive Officer and department Senior Manager to ensure timely processing by staff.

V/CM P-Card Program participants (cardholders and approvers) have now all been trained and shall take the appropriate re-fresher training every two years as required by the program.

## Management Comments to Draft Report

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### Communication to V/CM Staff

Figure 1:

**Gonzales, Michael**

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**From:** Gonzales, Michael  
**Sent:** Wednesday, September 15, 2021 4:14 PM  
**To:** Perez, Raul; Lora, Abraham; Lin, Shuyen; Gonzalez, Raul (GonzalezRa@metro.net); Maul-Crumby, Gaby; Castro-Hernandez, Stephanie; Wright, Keenan  
**Subject:** PCard Reconciliations

While some of you may not be specifically responsible for all Purchase Card activities, it is still important to be sure that all Purchase Card program participants involved in the reconciliation process have the information necessary to submit and approve the monthly statements in a timely manner. This includes, but is not limited to the completion of logs and statement reconciliations. If for any reason you anticipate a potential delay, you are responsible for communicating status to your manager to ensure that any delays can be mitigated.

Thank you for your cooperation.

**Michael E Gonzales**

Executive Officer Support Services  
 Vendor/Contract Management  
 213.418.3106 W  
 213.804.5447 C

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Management Comments to Draft Report


SharePoint									
VCM PCARD Transaction Logs									
Private group Not following 8 members									
All items									
Advertising Log									
ID	Solicitation No.	Description	Substitution Type	CA Name / Req.	Cost Center	Project Number	Task Number	Account Number	Ad Tech Order...
8	PS20083	PS20083 - Bicycle Parking Program for Bicycle Lockers and Bikes	BP	Lapez, Uly	3043	30000	1.01	30018	8/30/2017 12:00 AM 8/16/2021
9	PS20083	PS20083 - Bicycle Parking Program for Bicycle Lockers and Bikes	BP	Lapez, Uly	3043	30000	1.01	30018	8/30/2017 12:00 AM 8/16/2021
10	PS20083	PS20083 - Bicycle Parking Program for Bicycle Lockers and Bikes	BP	Lapez, Uly	3043	30000	1.01	30018	8/30/2017 12:00 AM 8/16/2021
11	PS20083	PS20083 - Bicycle Parking Program for Bicycle Lockers and Bikes	BP	Lapez, Uly	3043	30000	1.01	30018	8/30/2017 12:00 AM 8/16/2021
14	PS27542	PS27542 - Vision Wall Sign	BT	Quang, Anne	7113	40300	2.01	30016	8/30/2017 12:00 AM 8/16/2021
15	CM13C20112	CM13C20112 - Cardiac Information for W. Freeman - Districts 11, 21, and 22	BP	Mullen, Joshua	8239	20710	1.01	30018	
16	CM13C20112	CM13C20112 - Cardiac Information for W. Freeman - Districts 11, 21, and 22	BP	Mullen, Joshua	8239	20710	1.01	30018	8/16/2021
17	CM13C20112	CM13C20112 - Cardiac Information for W. Freeman - Districts 11, 21, and 22	BP	Mullen, Joshua	8239	20710	1.01	30018	

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

<b>Date</b>	October 20, 2021
<b>To</b>	Yvonne Zheng, Senior Manager Audit Office of the Inspector General
<b>From</b>	James de la Loza, Chief Planning Officer, Countywide Planning & Development 
<b>Subject</b>	Response to Audit Report No. 22-AUD-03, Results of Audit 1(a)

#### **Audit Report Issue**

In the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2021 to June 30, 2021 (Report No. 22-AUD-03), the audit results found the following issues for Countywide Planning & Development:

#### ***1(a) Non-Compliance with Purchase Card Policy – Late Submission and/or Approval***

No. 1: Late submission by 4 months and late approval by 3 months on P-Card statement date 10/22/2020 in the total amount of \$2,192.54 for 6 transactions. The Cardholder stated he cannot remember the exact reason for the late submission but added he will now submit their reconciliation packages on time. The Approving Official thought he had approved the statement in March but did not realize his electronic approval did not go through in the system until Accounting advised him in June.

No. 2: Late submission by 4 months on P-Card statement date 12/22/2020 in the total amount of \$2,334.00 for 3 transactions. The Cardholder stated the late submission and approval was the indirect result of staff adherence to Metro policies that prevented equipment purchase and distribution to employees working remotely because of Safer-At-Home orders enacted to mitigate impacts of the COVID-19 pandemic. Lack of equipment and software at remote locations prevented completion of the established workflow within expected processing timeframes.

#### **Countywide Planning & Development Response**

Countywide Planning & Development's Financial & Management Services (FMS) team reminded Cardholders and Approving Officials the importance of submitting monthly reconciliation packages and approving them on time. The FMS team also reminded Cardholders and Approving Officials that if they encounter any equipment or technical difficulties in reconciling or approving monthly statements while working remotely, they are welcome to come in to the office to use office equipment or contact office staff to provide assistance. Moving forward, and as an added measure to ensure Cardholders are reconciling their monthly statements in a timely manner, the Director of Financial & Management Services is requesting all Cardholders to forward their monthly reconciliation packages to him to be included in our Department's central records.

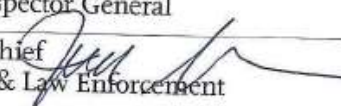


## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

<b>Date</b>	October 20, 2021
<b>To</b>	Yvonne Zheng, Senior Manager, Audit Officer of the Inspector General
<b>From</b>	Judy Gerhardt, Chief System Security & Law Enforcement 
<b>Subject</b>	Response to Draft Report (No. 22-AUD-03): Audit of Metro Misc. Expenses April-June 2021
<b>Copies</b>	Aston T. Greene, E. O./Deputy Chief System Security & Law Enforcement

#### Background:

This memo is in response to the Draft Report Audit of Metro Misc. Expenses April-June 2021 (Report No. 22-AUD-03). The Metro Office of Inspector General (OIG) performed the audit, which resulted in one (1) finding. The result of the audit identified the following concern in relation to the System Security & Law Enforcement (SSLE) Department and its compliance with Metro's Purchase Card Policy.

**1. Late Submission and/or Approval - Our audit found that the following cost centers failed to submit and/or approve their P-Card package on time.**

*1 Transaction late by three months. A February 2021 purchase was not reconciled until June 2021 (pg. 4).*

#### Results of Audit:

SSLE has reviewed the finding related to the late purchase Card submission. The recommendation below is accepted and has been addressed.

#### Recommendations:

The following recommendation was directed to System Security and Law Enforcement:

- (1) #1. Instruct all Purchase Card program participants involved in the reconciliation process to submit and approve the monthly statements and reconciliation package in a timely manner.

## Management Comments to Draft Report

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Page 2

### **Response to Recommendation #1:**

From October 2020, Cardholder cared for her ailing mother, who was hospitalized several times until her passing in July 2021. While caring for her mother between October 2020 and July 2021, Cardholder's duties increased as she managed COVID-19 related programs. Due to these factors, Cardholder admittedly neglected to submit her purchase card reconciliation on time. Cardholder acknowledged this oversight and took immediate action to correct it.

### **Corrective Actions(s):**

The following corrective action has been taken and is in effect:

Cardholder has now set a monthly calendar reminder to ensure the timely submission of her purchase card statements.

cc:

Karen Gorman, Inspector General, Office of the Inspector General  
Aldon Bordenave, Sr. Director Emergency Preparedness

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

Date	October 21, 2021
To	Yvonne Zheng Senior Manager, Audit Office of Inspector General
From	Patrice McElroy <i>Patrice McElroy</i> Interim Chief Human Capital & Development Officer
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses April, 1 2021 to June 30, 2021 (Report No. 22-AUD-03)

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that 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 for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see below our responses to the Recommendations.

#### **Recommendations**

1. Coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports; follow up with the service request sent to ITS in October 2020.

**Response:** Staff concurs with the recommendation and will coordinate with Information Technology Services for the implementation of the electronic notification process to be sent to travelers who have not submitted their TBE reports. In addition, a report will be developed to assist staff in notifying the employee as well. Staff has followed up with ITS regarding the implementation of an e-mail notification for outstanding expense reports. The corrective action plan has been initiated pending ITS implementation. ITS has advised that they will resume work on this project by the 4<sup>th</sup> quarter of FY22.

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

2. Continue the Travel Program Administrator's efforts to monitor travels for which the TBE Report has not yet been submitted while the electronic notification is not yet in place.

**Response:** Staff concurs with the recommendation and will continue to monitor travel and develop a report to assist with notifying the employees that they have not submitted their TBE Reports, while the electronic notification is not yet in place. ITS has advised that they will resume work on this project by the 4<sup>th</sup> quarter of FY22.

## Final Report Distribution

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Manager, Records & Information Management

# **Audit of Miscellaneous Expenses April to June 2021**

*OIG Report No. 22-AUD-03*

Karen Gorman, Inspector General

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November 17, 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;
- A few exceptions on Purchase Card usage and non-compliance with Travel and Business Expense policy.

**OIG provided six recommendations.**