

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

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**Statutorily Mandated Audit of  
Miscellaneous Expenses for the Period  
July 1, 2020 to September 30, 2020**

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Report No. 21-AUD-06

March 26, 2021



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**Metro**

**DATE:** March 26, 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 2021-03-26 09:51:14 PDT**

**SUBJECT:** Final Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses  
From July 1, 2020 to September 30, 2020 (Report No. 21-AUD-06)

## **INTRODUCTION**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2020 to September 30, 2020. 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.

## **OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT**

The objectives of the audit were to determine if miscellaneous expenses were adequately supported by appropriate documentation and complied with Metro policies, procedures, and guidelines.

This audit covered Metro miscellaneous expenses for the period of July 1, 2020 to September 30, 2020. Between July 1 to September 30, 2020, miscellaneous expenses totaled \$484,398<sup>1</sup> with 166 transactions. We reviewed a sample of 30 expenses totaling \$96,672. (See Attachment A for details.) Twenty-seven of the expense transactions were statistically selected, and three were judgmentally selected due to their large dollar amounts. The miscellaneous expenses for the subject audit period dropped significantly compared to \$1.8 million for the same quarter of the prior year. This is a direct result of a memo the CEO sent to the Senior Leadership Team in April 2020, "Immediate Cost Reduction Actions," which discussed cost-cutting measures including ceasing expenditures for travel, seminars, business meals, training, and other miscellaneous items from April 1 to October 1, 2020. See the "Observations" section for more discussion.

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

- Obtained and reviewed applicable policies and procedures;

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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.

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- Interviewed Metro personnel including staff in Accounting, Communications, Art & Design, Pension and Benefits, Vendor Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

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

Our audit of Metro miscellaneous expenses from July to September 2020 found that the sampled transactions we reviewed generally complied with policies, were reasonable, and adequately supported by required documents. However, we noted issues on the following three transactions:

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

Criteria. Metro's Travel and Business Expense policy (FIN 14) requires traveling employees to submit a completed and signed travel request/authorization form in a timely manner to the Travel Program Administrator for processing. It also requires employees to request reimbursement for travel expenses by submitting a travel & business expense report (TBE) with their receipts within 30 calendar days after returning from travel.

TBE Was Submitted Late. A Metro Pension and Benefits employee attended a conference in Oakland, CA from October 27 to October 30, 2019. However, the Traveler did not submit her TBE form until July 2020 (nearly 9 months later). The Traveler was aware of the 30-day policy requirement and could not explain the submission delay other than attributing it to oversight. However, she stated she will ensure that in the future the TBE form is submitted within 30 days after travel is complete as required. 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. Furthermore, the possibilities of errors and

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omission or loss of receipts may increase if the employee submits the TBE report several months after his/her travel.

We reported the issue of TBEs being submitted late in a prior OIG report—*Statutorily Mandated Audit of Miscellaneous Expenses for the Period January 1, 2020 to March 31, 2020* (Report No. 21-AUD-01, October 23, 2020). That report recommended that the Travel Program Administrator consult with the Information Technology Services (ITS) department and implement a reminder through the Travel System<sup>2</sup> to travelers who do not complete their TBE reports in a timely manner. According to the Travel Program Administrator, as a result of this audit, a service request was sent to ITS in October 2020 and another in December 2020 to implement an electronic notification process to be sent to Travelers who have not submitted their TBE reports. She explained that implementation depends on the ITS workload which she has no control over. Further, in June/July 2020, she conducted an audit to identify all outstanding TBEs then contacted the delinquent travelers, reminding them to submit their TBEs. We understand that ITS has strained resources due to the impacts of the pandemic and this is a low priority item, but they should keep this on their list to do when possible.

## 2. Inadequate Receipt

Criteria. Purchase Cardholders are required to complete a Monthly Purchase Card Log of purchases made on their Metro purchase cards (P-Card) and attach the supporting itemized receipts. The documentation is reviewed and signed by the Approving Official and submitted to Accounts Payable. Completing this log is important to ensure:

- all purchases on the monthly P-Card log are reconciled to the receipts and each transaction is supported;
- all purchases on the monthly P-Card log are reconciled to the credit card statement for accuracy; and
- credits, credit card statement errors, or disputed items are identified.

Receipt Was Inadequate. A sample expense item for \$2,500 was paid to SlideRoom Technologies using a Metro Art and Design department P-Card. The receipt for this expense did not show what was procured. It only showed the amount charged, the vendor, and the credit card that was used. It is important that adequate support is provided with the P-Card logs to ensure that the receipts are accurate and also are for legitimate Metro purposes. The Cardholder explained that the charge was to pay the vendor for being a repository that tracks submittals from artists who wish to be considered for potential artwork commissions. She said that there had been 250 submittals for which the vendor charged Metro \$10 each for a total of \$2,500. At our request, the Cardholder provided a report that itemized the 250 submissions. The Cardholder agreed that the receipt was inadequate and should have been itemized. She said it was an oversight. In the future, she plans to pay for the charge using check requests and will ensure that that proper support is provided.

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<sup>2</sup> Travel System is an electronic application that allows Metro employees to electronically submit travel requests and requests for reimbursement.

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**3. Invoices Were Not Being Consistently Reviewed**

Criteria. In 2002, the Board issued a memo giving the CEO authority to expedite the procurement of communication media. Metro’s Communications department contracts with a Media Buyer (Civilian) who has the responsibility to obtain and analyze bids from media outlets, negotiate rates, and recommend the most efficient and cost-effective choices to Communications. This allows Metro to secure the desired media at favorable rates with favorable placement quickly. Procurement policy requires the monitoring of contracts and the approval of invoices.

Invoices Were Not Being Consistently Reviewed. Two invoices from Civilian were in our sample: \$14,366 for project managing services in August 2020 and \$5,500 for research services in July 2020. We found no issues with the procurements: they were justified, accurate, approved, and supported. However, one issue came to our attention. The Project Manager acknowledged that he was not reviewing all of the invoices. He thought it was appropriate to only review a sample of the invoices because via the contract Civilian has a media plan budget that they cannot exceed. This method is not adequate because it only ensures that the budget plan is not exceeded and does not ensure that all charges to Metro are proper. We believe it is essential that all the invoices be reviewed for appropriateness and accuracy to ensure that the charges are for legitimate services and to monitor the expenditures. The Project Manager understood our concerns and agreed that in the future, he will review all invoices.

**4. Observations**

On April 20 2020, Metro CEO issued an interoffice memo to the Senior Leadership Team titled “Immediate Cost Reduction Actions” to implement immediate cost saving actions necessary to contain costs and maximize cash on hand during the COVID-19 pandemic. The memo listed several cost cutting measures, effective from April 20, 2020 to October 1, 2020. The memo specifically asked Metro staff to cease expenditures for travel, seminar, business meal, training, and membership. There were some payments made during the quarter under audit which were approved by the Department Heads as they were deemed necessary in the operations of Metro.

We compared the spending for travel, seminar, business meal, training, and membership for the third quarter of 2019 and 2020. We found there was a significant reduction in expenses in all five accounts. Business Meals, Seminars/Conferences, and Business Travel decreased by 94 percent or more. Professional Memberships decreased by 90 percent, and training declined by 96 percent. See Table 1 for details.

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**Table 1. Comparison of Spending Between  
July 1 to September 30, 2019 and July 1 to September 30, 2020**

Account	Account Description	Expenses for July 1 - September 30		
		2019	2020	% Decrease in Spending
50213	Training Program	\$37,542	\$1,324	96%
50903	Business Meals	\$114,258	\$6,899	94%
50912	Professional Membership	\$67,845	\$6,946	90%
50915	Seminar/Conference	\$135,041	\$3,261	98%
50917	Business Travel	\$142,339	\$6,621	95%

The significant reduction in expenditures across these accounts shows that the CEO's cost cutting measures were effective.

**Training (Account 50213).** This account is for expenses incurred for off-site contracted training for which there exists a written agreement between Metro and a consultant for a specific training/training programs required by Metro. During July 1 to September 30, 2020, there were two transactions for training expenses totaling \$1,324 (See Table 2.) One expense for K9 toys/food (Metro has a working canine employee) was incorrectly charged to the Training Account.

**Table 2. Training Expenses from July 1 to September 30, 2020**

Cost Center No.	Cost Center	Training	Amount
8420	Environment Compliance/Sustainability	Anser Advisory Professional Management Course	\$1,080
2610	System Security & Law Enforcement (SSLE)	K9 toys/food - this expense was placed in wrong Account	\$244
		<b>Total Amount:</b>	<b>\$1,324</b>

**Business Meals (50903).** This account is for meals and food incurred while participating in industry conferences and other related business meetings. During July 1 to September 30, 2020, there were eight business meal transactions totaling \$6,899 (See Table 3).

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**Table 3. Business Meal Expenses from July 1 to September 30, 2020**

<b>Cost Center No.</b>	<b>Cost Center</b>	<b>Business Meal</b>	<b>Amount</b>
3818	Maintenance Division 18	CHP Inspection	\$1,176
3802	Maintenance Division 02	CHP Celebration	\$856
3802	Maintenance Division 02	CHP Inspection	\$262
3609	Maintenance Division 09	CHP BBQ	\$1,032
3601	Maintenance Division 01	CHP Inspection	\$976
3366	CMS	Hydration stations	\$218
3232	Executive Director, Transportation	Meals for event – closing of Division 10	\$1,113
1110	Office of Board Secretary	Meals to Board of Directors and their staff during Board/Committee Meetings	\$1,266
		<b>Total Amount:</b>	<b>\$6,899</b>

**Memberships (Account 50912).** This account is for professional membership fees or dues paid by Metro for its employees. During July 1 to September 30, 2020, there were eight professional membership transactions totaling \$6,946 (See Table 4).

**Table 4. Professional Membership Expenses from July 1 to September 30, 2020**

<b>Cost Center No.</b>	<b>Cost Center</b>	<b>Membership</b>	<b>Amount</b>
8320	Major Capital Project Engineering	Structural Engineering Association	\$315
8110	Quality Assurance/Compliance	American Standard Quality membership and American Welding Society	\$426
7120	Art Program	American for the Arts Organization Membership	\$1,370
6430	Building Services	International Facility Management Association	\$311
5210	Treasury	Association of Public Treasurers	\$289
5110	Accounting	ORACLE Users Group (FIS)	\$965*
2510	Management Audit	Institute of Internal Auditors	\$2,970
2415	Regional Rail	American Society of Civil Engineers	\$300
		<b>Total Amount:</b>	<b>\$6,946</b>

*\*This transaction was also reviewed as part of our original sample of 30.*



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**Seminars/Conference Fees (Account 50915).** This account is for fees to attend a seminar, conference, or certification program. The table below shows the seminars attended by Metro staff between July 1, 2020 and September 30, 2020 (See Table 5).

**Table 5. Seminar/Conference Expenses from July 1 to September 30, 2020**

Cost Center No.	Cost Center	Course/Note	Amount
8610	Product Control and Administration	APTA rail event	\$295
6810	Corporate Safety	OSHA recertification class	\$525
6810	Corporate Safety	Refresher class and Asbestos Annual Refresher Class	\$392
5610	Office of Management and Budget	FTA COVID Response webinar	\$244
3590	Contract Services	Computer supply incorrectly recorded as seminar; vendor mistakenly overcharged Metro for \$2,415 instead of \$345. Corrected in October 2020.	\$2,415
2610	System Security & Law Enforcement (SSLE)	Harvard Business School Online – Leadership Principles Course	\$1,750
2415	Regional Rail	Fred Pryor Class - paid on March 18, 2020	\$499*
	Various	Credits for refund of prior quarter’s P-Card charges	(\$2,859)
		<b>Total Amount:</b>	<b>\$3,261</b>

*\*This transaction was also reviewed as part of our original sample of 30.*

**Travel (Account 50917).** There were nine transactions in the Travel account, totaling \$6,621, paid between July 2020 and September 2020 (See Table 6). Seven of the transactions were for travel expenses. We found that for all seven of these transactions, the TBEs were submitted late (from 3 months to 11 months). As discussed previously, it is important that TBEs are submitted within 30 days after travel is concluded so that the expense is recorded in the proper accounting period and the department’s budget balances are updated. In addition, another transaction for business meals was incorrectly charged to the Travel Account. This expense should have been charged to Account 50903 – Business Meals.

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**Table 6. Travel Expenses from July 1 to September 30, 2020**

<b>Cost Center No.</b>	<b>Cost Center</b>	<b>Travel Period</b>	<b>Date TBE/Expense Submitted</b>	<b>Amount</b>
6821	Asset Management	7/12 - 7/18/2019	6/29/2020	\$801
5211	Pension & Benefits	11/19 - 11/22/2019	7/15/2020	\$277
5211	Pension & Benefits	10/28 - 10/30/19	7/22/2020	\$219*
3320	Vehicle Technology & Acquisition	1/6 – 1/10/20	5/15/2020	\$433
2031	Office of Extraordinary Innovation	10/2 - 10/5/2019	7/2/2020	\$1,402
2010	Chief Executive Office	10/13 - 10/16/2019	7/9/2020	\$2,211
2010	Chief Executive Office	10/23 - 10/24/2019	7/10/2020	\$699
3250	Maintenance Instruction	Business meal; expense was recorded in wrong account	n/a	\$257
2420	Employee & Labor Relations	3/23/ - 3/26/2019	4/11/2019	\$322**
			<b>Total Amount:</b>	<b>\$6,621</b>

*\*This transaction was also reviewed as part of our original sample of 30.*

*\*\* This amount pertains to the difference between the actual travel expenses (\$2,734) and the amount reimbursed by Workforce Development Aging, and Community Services (\$2,412). The unreimbursed amount of \$322 was charged back to Account 50917 - Travel in September 2020.*

## **CONCLUSION**

The miscellaneous expenses we reviewed for the period of July 1, 2020 to September 30, 2020 generally complied with policies, were reasonable, and adequately supported by required documents. However, we found that for three of the expenses reviewed, policy requirements were not followed for travel, P-Card, and media expenses. We also determined that the CEO's cost reduction actions were effective for travel, seminar, business meal, training, and membership. These costs were reduced by 90 to 98 percent in comparison to last year.

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## **RECOMMENDATIONS**

We recommend that:

Human Capital and Development (Pension and Benefits):

1. Remind staff to submit TBE Reports timely and accurately.

Human Capital and Development (General Services Administration):

2. Continue to work with Information Technology Services to create additional program features in the travel system that will generate a “late filers” report and automatically send a reminder to travelers to submit their Travel and Business Expense report on the due date, if they have not yet done so.

Communications (Creative Services):

3. Ensure that Purchase Cardholders obtain adequate itemized receipts before approving the monthly P-Card log.

Communications (Marketing):

4. Instruct the Project Manager to review all invoices under the contract with Civilian and other vendors to ensure they are appropriate and accurate.

Office of the CEO:

5. Consider extending the moratorium period beyond October 1, 2020 on CEO interoffice memo dated April 20, 2020 to Senior Leadership Team for “Immediate Cost Reduction Actions through October 1, 2020” related to expenditures on travel, seminar, business meal, training, and membership.

## **MANAGEMENT COMMENTS TO RECOMMENDATIONS**

On March 12, 2021, we provided Metro Management a draft report. On March 24, 2021, the management completed their responses that summarized 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  
For the Period from July 1, 2020 to September 30, 2020**

<i>Account</i>	<i>Account Description</i>	<i>Total Amount</i>	<i>Sample Amount</i>
50213	Training Program	\$ 1,324	\$ 244
50903	Business Meals	6,899	1,237
50905	Corporate Membership	151,516	25,000
50910	Mileage / Parking	2,135	760
50912	Professional Membership	6,946	1,280
50914	Schedule Checkers	2,839	0
50915	Seminar and Conference Fee	3,261	499
50917	Business Travel	6,621	219
50918	Advertising	76,264	34,511
50999	Other Miscellaneous Expenses	<u>226,593</u>	<u>32,922</u>
	<i>Total</i>	<b><u>\$ 484,398</u></b>	<b><u>\$ 96,672</u></b>

## Management Comments to Draft Report

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**Metro**

### Interoffice Memo

<b>Date</b>	March 24, 2021
<b>To</b>	Yvonne Zheng Senior Manager, Audit
<b>From</b>	Patrice McElroy, <i>Patrice McElroy</i> Interim Chief HC&D Officer Yvette Rapose, <i>Yvette Rapose</i> Chief Communication Officer Nadine Lee, <i>Nadine Lee</i> Chief of Staff
<b>Subject</b>	Management Response to OIG Audit Report No. 21-AUD-06

Human Capital & Development, Communications, and Office of Chief Executive Officer have received and reviewed Audit Report No. 21-AUD-06: Audit of Metro Miscellaneous Expenses from July 1, 2020, to September 30, 2020. We are pleased that the Audit determined that the CEO's cost reduction actions were effective for travel, seminar, business meal, training, and membership. Additionally, the Audit identified a reduction in cost from 90 to 98 percent in comparison to the previous year; the report made five recommendations.

The departments agree with the overall findings and provided the following in response to the recommendations.

**Human Capital and Development (Pension and Benefits):**

1. Remind staff to submit TBE Reports timely and accurately.

*The department agrees that it is important that TBE reports are submitted timely so that the expense is recorded in the proper accounting period and the department's budget balance is updated. The department will ensure that in the future, the TBE form is submitted within 30 days after travel is complete as required by the policy.*

**Human Capital and Development (General Services Administration):**

2. Continue to work with Information Technology Services to create additional program features in the travel system that will generate a "late filers" report and automatically send a reminder to travelers to submit their Travel and Business Expense report on the due date, if they have not yet done so.

*The department is continuing to work with the Information Technology Services Department to create automated reminders to travelers requesting that they submit*

## Management Comments to Draft Report

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*their Travel and Business Expenses before the due date if they have not yet done so.*

### **Communications (Creative Services):**

3. Ensure that Purchase Cardholders obtain adequate itemized receipts before approving the monthly P-Card log.

*The department agrees that it should have asked for a complete accounting for the 250 submissions of art repositories that together accounted for the invoice of \$2,500. In the future, staff will more carefully vet the invoice commensurate with the services and ensure that it is reflected in a more transparent manner. It is agreed that the reflection of services on the invoice is important.*

### **Communications (Marketing):**

4. Instruct the Project Manager to review all invoices under the contract with Civilian and other vendors to ensure they are appropriate and accurate.

*The department agrees that all invoices shall be reviewed and scrutinized indifferent of dollar amount. Clarity has been provided to staff and they understand the expectation going forward.*

### **Office of the CEO:**

5. Consider extending the moratorium

*OCEO will extend the moratorium to the end of FY2021*

## Final Report Distribution

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### Metro

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