



NEWS

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AUDITS SHOW MTA OWED MORE THAN \$2.2 MILLION

Audits ordered by the MTA of two engineering firms have revealed the consultants may have over billed the MTA more than \$2.2 million during a two-and-a-half year period.

An audit of Daniel, Mann, Johnson and Mendenhall (DMJM) disclosed the engineering firm apparently over billed the Authority \$1,989,683 between May, 1992 and December, 1994. During the same period, the firm of Jenkins/Gales and Martinez Inc. (JGM), a subcontractor/partner of the MTA's Engineering Management Consultant (EMC), may have over billed the Authority \$234,385.

The audits of the two firms for the MTA were performed by Thompson, Cobb, Bazillio and Associates.

"I am very disturbed about the findings of the auditors," said Larry Zarian, MTA Chairman. "If these revelations are proven to be correct, we are going to do everything within our means to recoup every taxpayer dollar owed us."

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The MTA paid DMJM \$36.4 million during the two-and-one-half year period. The auditor's recommended adjustment could result in a savings to the MTA of nearly \$2 million.

The auditors found that DMJM, when calculating indirect costs, exceeded the appropriate costs by pooling office and administration costs at divisions outside California and then passed them along to the MTA.

In the JGM report, auditors found that JGM claimed inappropriate costs for bonuses paid to the wife of the one of the principals, costs for a country club membership, as well as fees for the leases for luxury autos. Inadequate documentation of travel expenses for a trip of five JGM employees to London, Paris and Madrid also were uncovered.

"Our revamped internal auditing function is doing exactly what it was designed to do – find unallowable costs, report them, and make sure the MTA pays only what is just and due," said Joseph E. Drew, the MTA's CEO. "These reports put everyone on notice that we will be fair in our payments, however, we expect to be billed appropriately."

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