



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

Office of the Inspector General  
818 West 7<sup>th</sup> Street, Suite 500  
Los Angeles, CA 90017

213.244.7300 Tel  
213.244.7343 Fax

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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE**  
**July 19, 2007**

**SUBJECT: OFFICE OF INSPECTOR GENERAL (OIG)  
AUDIT ACTIVITIES REPORT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file OIG Audit Activities Report.

**ISSUE**

The Board of Directors requested the OIG to report on audit activities.

**BACKGROUND**

The OIG Charter states that the OIG was established to provide an independent and objective unit reporting directly to the Board of Directors. The OIG has numerous responsibilities as defined in the Charter, and the OIG Audit Unit has a broad responsibility for oversight in a cooperative support mode with MTA management for increased accountability and improvement of organizational performance.

A large measure of the OIG audit focus is to provide the Board of Directors and MTA management with independent analyses, evaluations, and appraisals of performance effectiveness, accuracy of information, efficient use of resources, and adequacy of internal controls. In addition, the Audit Unit is charged with the detection and analysis of those items indicative of fraud, waste, or abuse.

**DISCUSSION**

The OIG has recently issued the following reports:

- Equipment Inventory Procedures
- Audit of MTA Miscellaneous Expenses, July 1 to September 30, 2006

## **Equipment Inventory Procedures**

In response to our prior audit on controls over equipment issued in 2004, Material Management developed procedures to track and inventory capital equipment. However, we found that equipment owner organizations must do a better job of implementing these procedures; specifically, improvements were needed:

- ◆ **Inventories were not completed on time.** Inventory lists were sent to 23 organizations; of this total, 2 organizations completed their equipment inventories on time, 17 completed the inventories late, and 4 did not complete the required inventories.
- ◆ **Many items were not located during the inventories.** The inventory listings for 19 organizations that completed the inventories showed that 408 (41.8%) of 977 equipment items had not been located. This occurred, in part, because the equipment lists included items that belonged to other organizations, and staff did not follow procedures to report equipment that was transferred or moved. In addition, the procedures required owner organizations to complete an Equipment Survey Form for any missing item and perform necessary investigation. We found that none of the organizations complied with this requirement.
- ◆ **Inventory counts were not consistently annotated.** Organization staff did not follow the required procedures for annotating the status of each item on the inventory listing.

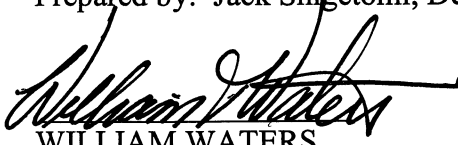
Metro management stated that they would initiate corrective actions to:

- ◆ Develop an overall Metro policy for equipment inventories.
- ◆ Require each organization to designate a person who is responsible for capital equipment and annual inventories.
- ◆ Perform a one-time joint inventory of equipment.
- ◆ Provide additional training and instructions on equipment tracking and inventories.
- ◆ Modify the format of the equipment listing.

## **Audit of MTA Miscellaneous Expenses**

The audit found that the miscellaneous expenses reviewed generally complied with policies, were reasonable, and were generally adequately supported.

Prepared by: Jack Shigetomi, Deputy Inspector General - Audits

  
WILLIAM WATERS  
Inspector General