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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
February 19, 2009

SUBJECT: OFFICE OF INSPECTOR GENERAL (OIG) ACTIVITIES REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this OIG Activities Report.

ISSUE

The OIG reports periodically on its activities.

DISCUSSION

1. During the 2nd Quarter of FY 2009, the OIG Audit Unit issued three final audit reports, started four audit projects, and issued three draft audit reports. The three final audit reports issued are:

- Use of Electronic Fund Transfers (Report No. 08-AUD-12, October 17, 2008).

The audit found that opportunities exist for Metro to increase efficiency and security by making greater use of EFT payments. In March 2008, about 74% of the disbursements to vendors, public agencies, and employee non-wage payments were paid via paper checks and 26% via EFT. EFT is less expensive, more secure, and a more efficient way to make payments. EFT would also reduce the vulnerability of lost, stolen, or fraudulent checks. In response to our recommendations, Metro management initiated the following actions:

- Make EFT the default method of payment for all new vendor contracts and purchase orders unless the vendor submits a written request to opt out.
- Revise the Travel and Business Expense Reimbursement policy to incorporate EFT as the method of reimbursement for employees who participate in the payroll direct deposit program, unless the employee submits a written request to opt out of direct deposit for travel/business payments.
- Revise the language in future Memorandums of Understandings with public agencies that disbursements will be made via EFT unless an exception is requested in writing.

- Corporate and Professional Memberships (Report No. 08-AUD-11, December 18, 2008).

The audit found that controls over corporate and professional memberships were generally adequate and payments were reasonable and complied with Metro policies. However, the review identified several areas where the program needed improvement:

- Metro Policy HR 4-3 on Corporate and Professional Memberships had not been reviewed and updated since 2002. Departments are required to review existing policies every 2 years to ensure current standards and best practices are included in the policy.
- Some individual professional memberships were incorrectly included in the corporate membership database.
- Some payments (for subscription of law books and community outreach) were incorrectly classified as membership expenses.
- OD&T staff should perform further research to identify any opportunities for reducing membership fees based on group rates.

Metro management agreed with the recommendations in the report and initiated corrective actions.

- Follow-up on Equipment Inventory Procedures (Report No. 08-AUD-16, December 19, 2008).

We found that Metro had implemented the corrective actions recommended in our prior audit report. Specifically, Metro:

- On January 29, 2008, the Chief Executive Officer approved a Metro-wide General Management policy (Equipment Inventory & Certification Guidelines, GEN 50). This policy requires (1) equipment owner organizations to follow equipment inventory procedures in the Equipment Tracking Program, and designate a responsible individual to perform equipment inventories; and (2) Materiel Management to follow up on late or incomplete inventories.
- For the Fiscal Year 2008 inventories, equipment owner organizations designated 27 employees to be responsible for conducting the inventories.
- During February and March 2008, Inventory Management staff conducted a number of training sessions for staff responsible for performing equipment inventories.
- The Fiscal Year 2008 Equipment Inventory Lists were revised to include columns for the persons performing the inventory to check off whether each piece of equipment was found or not found during the inventory. Also, a column was added to check whether an Equipment Survey Form was completed for equipment items that were not found.

- The inventory training sessions emphasized the need for staff to investigate instances when assets were not found and the importance of completing an Equipment Survey Form when an item can not be found.
2. The Audit Unit is on schedule to meet the number of new audit starts in the FY 2009 Audit Plan.
 3. During the 2nd Quarter of FY 2009, the Investigations Unit opened 46 matters, and completed 48 matters. The 46 matters opened consisted of: 7 investigations, 14 multi-site reviews in 2 areas (inventory verifications and petty cash security reviews), 14 inquiries that were referred to Metro departments or did not warrant further investigation work, and 11 professional investigation services. In addition, the following reports were completed during the period.
 - Site Inspections at Rail Line Divisions (October 2, 2008)
 - Site Inspections at Bus Divisions (November 26, 2008)
 - Verbal report on tax treatment for individuals assigned 24-hour vehicles. (Verbal report on December 11, 2008. A written report will follow.)
 4. The OIG began a program where Metro departments may request investigation assistance. The intent of this program is to avoid unnecessary outsourcing of investigation work and to assist the requesting department to expedite its reviews and evaluations or trial preparation while maximizing the quality, depth, and thoroughness of the final product. The Investigation Services Group received 11 requests for these services during the 2nd Quarter of FY 2009, making a total of 17 service requests since the program was launched in the last quarter of FY 2008. In response to service requests from the Real Estate Department, we completed inspections of 284 Metro properties in December 2008. In January 2009, we received one investigation service request.
 5. As part of the OIG Goals and Objectives, we offered Board members fraud awareness training in conjunction with the required Ethics training.
 6. We initiated actions to restore our computer infrastructure because the old equipment was interrupting business operations and required a high level of maintenance.
 7. We also initiated steps to implement an off-the-self audit software program to enhance productivity and achieve consistency with other Metro audit and accounting functions.

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