



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE**  
**April 21, 2005**

**OFFICE OF THE  
INSPECTOR GENERAL**

LA County Metropolitan  
Transportation Authority

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

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file subject report.

**ISSUE**

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

**BACKGROUND**

The OIG Charter mandated the creation of a unit to report directly to the MTA 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 MTA organizational performance.

A large measure of the OIG audit focus is to provide the MTA 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 issued the following audit reports:

1. Audit of Selected Payroll Payments
2. Audit of MTA Expenses for the Period April 1, to June 30, 2004

The above audit reports were previously submitted to the Board and MTA management in their entirety.

## **Audit of Selected Payroll Payments**

We found that internal controls and guidelines were inadequate to fully detect and preclude certain types of overpayments and unauthorized payments. We also found that the payroll system did not have edit checks or exception reports, which could identify transactions that exceeded authorized dollar limits. The audit showed that about \$257,000 was paid in excess of authorized limits during the 3-year period reviewed. Exceptions were found in all seven payroll areas we reviewed.

- ◆ \$115,736 for Military Leave was paid to 43 employees in excess of the 30-day criteria authorized by MTA policy.
- ◆ \$69,983 was paid to 30 interns who were paid for more than the annual maximum hours authorized by MTA policy.
- ◆ \$18,768 for Jury Duty was paid to 19 employees for more than the 10 days authorized by MTA policy. In addition, \$30,300 of Jury Duty compensation was not collected from 521 contract employees. Also, MTA policy for jury compensation should be evaluated to ensure consistency and equity.
- ◆ \$12,538 for Bereavement Leave was paid to 40 employees for more than the 5 days authorized by MTA policy.
- ◆ \$6,597 was overpaid to 16 employees who received duplicate tool allowances during a year.
- ◆ \$2,160 was overpaid to 3 employees who received duplicate Uniform Allowances.
- ◆ \$1,182 was overpaid to 50 employees who were reimbursed more than the driver license fee.

MTA Management agreed with the findings and recommendations discussed in this report and initiated the recommended corrective actions.

## Audit of MTA Miscellaneous Expenses

We found that the expenses (travel, business meals, professional and corporate memberships, training, conferences, and other miscellaneous expenses) reviewed for the period April 1, 2004 to June 30, 2004, generally complied with MTA policies, were reasonable, and were adequately supported. However, we found that cost center staff caused discrepancies in four areas that warrant management's attention. Specifically, cost centers (1) miscoded expenses, (2) budgeted and charged expenses to incorrect accounts, (3) did not provide documentation to support all expenses, and (4) omitted a required signature on a check request.

Prepared by: Jack Shigetomi, Deputy Inspector General - Audits



WILLIAM WATERS  
Inspector General

