



Internal Audit Report for June 2019

Summary

One report was issued during the month:

Director and Employee Expense Reports Audit Report

Discussion Section

This report highlights the significant activities of the Internal Audit Department during June 2019. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

Director and Employee Expense Reports

The Audit Department has completed a review of the accounting and administrative controls over Director and Employee Expense Reports as of March 31, 2019.

Scope

Our review consisted of evaluating the adequacy of controls over the expense reporting and reimbursement process. In addition, we tested expense claims for propriety and compliance with established policies and procedures. Finally, we analyzed expense trends to identify unusual patterns or transactions warranting further follow-up.

Background

Metropolitan's Administrative Code §6320: Expense Account Regulations, Operating Policies C-03 and C-04, and the Travel Guide establish travel guidelines, expense reporting procedures, and instructions for preparing and submitting expense reports. Directors and employees, who have incurred travel or operating expenses on behalf of Metropolitan, prepare expense reports through the Oracle iExpense system. The Accounts Payable Team, of the Controller Section in the Office of the Chief Financial Officer, administers expense reports and issues reimbursements.

Director and employee expenses totaling \$4.1 million were processed through the iExpense system during the eighteen month period ended March 31, 2019. This amount resulted from 6,160 employee expense reports (\$3.9 million) and 147 director expense reports (\$0.14 million). Expenses primarily consisted of per diem allowances (43%), airfare (16%), lodging (15%), business mileage claims (7%), and conference expenses (3%).

Opinion

In our opinion, the accounting and administrative procedures over Director and Employee

Expense Reports include those practices usually necessary to provide for a generally satisfactory internal control structure. The degree of compliance with such policies and procedures provided effective control for the period January 1, 2018 through March 31, 2019.

Comments and Recommendations

LATE OR UNFILED EXPENSE REPORTS

Metropolitan's Administrative Codes §6331(b) (2) and §6331(b) (3): Preparation, Approval and Processing Of Claims requires that directors and employees submit expense claims to the Board Executive Secretary's Office or the Office of the Chief Financial Officer, respectively, no later than 60 days after the employee or director incurred the expense or participated in an activity for which Metropolitan funds were utilized on their behalf.

We reviewed 36,958 expense line items on 6,307 employee and director iExpense reports for timely submission and noted the following late submissions:

Directors

Days after Expense was Incurred	Expense Line Items	iExpense Reports	Expenses Claimed
61-90	225	54	\$17,622
91-180	230	23	\$20,648
181-365	89	8	\$ 8,053
above 365	16	3	\$ 2,321
Total	560	88	\$48,644

Employees

Days after Expense was Incurred	Expense Line Items	iExpense Reports	Expenses Claimed
61-90	1,973	389	\$205,050
91-180	344	115	\$ 43,591
181-365	215	42	\$ 22,922
above 365	24	14	\$ 3,384
Total	2,556	560	\$274,947

Prepaid Expenses: We also reviewed 849 expense line items totaling \$161,150 that were prepaid by Metropolitan by check or Metropolitan issued credit cards as of March 31, 2019. Our analysis revealed that 22 directors and 67 employees had not filed expense reports within 60 days for prepaid expenses totaling \$57,271 as follows:

Director

Days after expense incurred	Expense Line Items	Expense Amount
91-180	-	-

181-365	10	\$998
above 365	103	\$29,893
Total	113	\$30,891

Employees

Days after expense incurred	Expense Line Items	Expense Amount
91-180	-	-
181-365	90	\$13,265
above 365	89	\$13,115
Total	179	\$26,380

Failure to submit expense reports in a timely manner could result in reimbursement of unauthorized, invalid or erroneous transactions.

We recommend that management emphasize the importance of submitting iExpense reports within 60 days and conduct periodic reviews to ensure compliance.

REVIEW AND APPROVAL

Review and approval controls serve to protect against unauthorized, inaccurate, or duplicate transactions; identify items that require correction; and ensure that follow-up procedures exist for exceptions. Authorized personnel should review expense reports for completeness, accuracy, propriety and compliance with Metropolitan’s policies and procedures.

We reviewed 15 expense reports for 4 Directors and 11 Employees with mileage claims in excess of 200 miles. Our review revealed:

1. Expense reports for eight employees and four directors did not indicate deductions for their normal commute, as required by the Travel Guide.
2. Two employee expense reports did not include the beginning and ending points of travel. Consequently, we were unable to recalculate and validate accuracy of the claims.

Failure to conduct proper review of expense reports could result in financial losses to Metropolitan due to unauthorized, invalid or erroneous transactions.

We recommend that management remind reviewers of the importance of ensuring the validity, accuracy, and completeness of expense reports.