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Metropolitan
Transportation
Authority

EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
July 17, 2003

**Office of
Inspector General**

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

818 West 7th Street
Suite 500
Los Angeles, CA
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ACTION: RECEIVE AND FILE

213.244.7300

RECOMMENDATION

Receive and file report on OIG Audit Activities.

Mailing Address

P.O. Box 811190
Los Angeles, CA
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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. 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 recently issued the following audit reports:

1. *Audit of Controls Over Cellular Telephones*
2. *Follow-up Review on MTA's Compensatory Time-Off Program*
3. *Audit of MTA Expenses, For the Period October 1, 2002 to December 31, 2002*

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

The report on *Audit of Controls Over Cellular Telephones* focused on services provided by Verizon Wireless. We found that the cellular telephone program could be operated in a more cost efficient manner, and that significant one-time and recurring savings could be realized through better oversight and management of cellular telephones.

- Cellular telephone bills were not adequately reviewed for accuracy.
- Erroneous billing charges were not detected.
- Cellular telephone costs were unnecessarily expensive because usage data were not reviewed to determine whether the most cost effective service plan was being used.
- Policies and procedures were not followed.
- Copies of monthly bills were not provided to using Departments, and reviews were not made to ensure that calls were necessary for conducting MTA business and in compliance with MTA policies.
- Management oversight of the cellular telephone program was not adequate.

During 2002, Verizon billed MTA about \$233,000 for cellular telephone services. Our audit identified the following areas where significant savings could be realized.

- Verizon overcharged MTA \$33,300 for erroneous Early Termination Fees of either \$150 or \$300 on 210 cellular telephones. For example, MTA was billed \$327 for a cellular telephone that had no airtime minutes during the month. Based on zero minutes used, MTA should have been charged for only the cost of the basic service plan (\$9.99 plus tax). We found that MTA was erroneously charged \$300 for early termination. After we brought this problem to the attention of MTA and Verizon personnel, MTA received a \$33,300 credit.

- We estimated that \$56,200 could be saved annually by reviewing telephone usage data to determine whether the most cost effective service plan is being utilized for each telephone. For example, the monthly cost for one cellular telephone averaged \$399. Usage for this telephone averaged 814 minutes a month, or 794 minutes above the 20 anytime minutes provided by the service plan. If MTA had changed the service plan for this telephone to a plan that provided more anytime minutes, the average monthly cost would have been about \$92, a savings of \$307.
- MTA could save an additional \$3,000 annually by terminating service for 25 cellular telephones that did not have any airtime usage during the 4 months reviewed.
- Also, MTA saved approximately \$7,000 annually by terminating insurance on 167 cellular telephones. We found that purchasing insurance was not cost effective because MTA had replaced only a few telephones over the past 5 years.

MTA Management agreed with the findings and recommendations discussed in the above reports and initiated the recommended corrective actions. We are currently performing a second audit of telephone services provided by Nextel Communications.

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WILLIAM WATERS
Inspector General