

REVIEW OF TRAVEL EXPENSES

AUGUST 2006




**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

August 15, 2006

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Craig Lowe, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Review of Travel Expenses

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission:

- 1) Accept the City Auditor's report and the response from the City Manager and Interim General Manager for Utilities; and
- 2) Instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

Explanation

In accordance with our Fiscal Year 2006 Annual Audit Plan, we have completed a Review of Travel Expenses. Our report and the response from the City Manager and Interim General Manager for Utilities are attached for your review.


We request that the Committee recommend the City Commission accept our report and management's response. Also, in accordance with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we request that the Committee recommend the City Commission instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

City of
Gainesville

Inter-Office Communication

May 4, 2006

TO: Russ Blackburn, City Manager
Karen S. Johnson, Interim General Manager for Utilities

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Review of Travel Expenses

On November 28, 2005, the City Commission approved the City Auditor's Annual Audit Plan, which included a review of travel expenses. During our review, we conducted interviews with key personnel, reviewed financial information and tested management controls. We have completed our review and the attached draft report indicates areas where further efforts are needed to strengthen management controls in both General Government and GRU.

In accordance with Commission Resolution 970187, Section 9, please submit your written response to the recommendations presented in the attached report within 30 days and indicate an actual or expected date of implementation. Our final report, which will include your written responses, will then be submitted to the City Commission's Audit and Finance Committee for review and approval.

Our recommendations for improving procedures and controls have been reviewed with Finance Director Mark Benton and Financial Analysis and Compliance Manager Jennifer Kizzar. We would like to thank them and staff involved in our review for the courteous and cooperative treatment afforded us.

Please let me know if you would like to meet to discuss further the details of this report or if you have any comments or questions that will facilitate your response.

cc: Mark Benton, Finance Director
Becky Rountree, Administrative Services Director
Jennifer Hunt, GRU Utility Chief Financial Officer
Jennifer Kizzar, Financial Analysis and Compliance Manager

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Fiscal Year 2006 Annual Audit Plan, the City Auditor's Office has completed an audit of travel expenses. The primary focus of this review was to provide the City Commission with reasonable assurance on the adequacy of management control in effect over travel expenses. Management controls include the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring program performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, methods and procedures to ensure that goals are met. Specific audit objectives included evaluating the policies, procedures and internal controls over travel expenses and determining whether travel expenses were proper and in compliance with City policies and procedures.

Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures included interviewing staff, reviewing management controls and testing selected samples of travel transactions and related supporting documentation to assess compliance with City policies and procedures. The scope of our testing was generally for the period October 2004 through September 2005.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's written response, can be found in the following sections of this report.

BACKGROUND INFORMATION

Travel by City Commissioners, Charter Officers and City employees necessary for conducting the City's business is governed through a Travel Policy approved by the City Commission in January 1997. In order to implement the policy, the City Manager and General Manager for Utilities have issued travel procedures providing detailed instructions to employees concerning the initiation and approval of travel reports and the required flow and filing of travel related documents. In general, City policies and procedures require all persons traveling on official City business to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and require that each traveler make a full accounting of advances received and expenses incurred in a timely manner. During FY 2005, travel expenses totaled approximately \$650,000 within General Government and approximately \$430,000 within GRU.

ISSUE #1

Improved Management Controls Over Travel Expenses

Discussion

We sampled travel related transactions in order to assess internal controls over travel expenses and determine whether travel expense reports and payments were processed in compliance with City policies and procedures. Transactions were selected on a random basis to determine the effectiveness of the following internal controls:

- Meals, lodging, transportation and other costs reimbursed at appropriate rates
- Adequate receipts provided to support the expenses
- Travel expenses reconciled in a timely manner
- Travel reports properly approved
- Travel expenses properly recorded in the general ledger

The results of our testing indicate several areas where management controls over travel expenses should be improved in order to increase compliance with policies and procedures for both General Government and GRU.

A. Timeliness of Travel Requests and Expense Reconciliations

Travelers requesting cash advances must submit anticipated costs to the respective General Government and GRU Finance Departments at least 10 working days prior to departure. Upon return, travel reports are to be reconciled, approved and submitted for final processing within 10 working days of returning for General Government travel and 20 working days of returning for GRU travel. We noted several instances where travel advances or final reports were not settled within the required time limits. For example, late filing of travel reports randomly selected for testing ranged from 10 to 43 working days late in General Government and from two to 20 working days late in GRU.

We also noted a file of numerous pending General Government travel expense reports dating back over the past several years. For example, the file contained two travel reports remaining unresolved from May 2002 and August 2003.

B. Supervisory Review

Travel policies and procedures require various levels of supervisory approval depending on the cost and whether the travel is out of state. For instance, all out of state travel and in-state travel exceeding \$2,500 requires the approval of the City Manager and General Manager for Utilities in addition to department managers. We noted travel expense reports lacking required supervisory approval in both General Government and GRU. For example, we found a travel expense report totaling \$3,573 that did not have the required approval of the Assistant General Manager or the General Manager for Utilities.

C. Supporting Documentation

Travelers are required to submit original receipts to support actual expenses incurred including airfare, hotel, meals and registration fees. However, we noted that a hotel receipt of \$186 was omitted from a GRU travel report with no further substantiation to support the expense.

D. Allowable Expenses

City travel policies and procedures provide guidelines on allowable expenses such as lodging rates at single occupancy, sales tax exemptions and meals included in registration fees. We noted the following exceptions to policies and procedures in GRU travel expense reports:

- Double Occupancy Rate

Lodging is to be charged at the single occupancy rate with amounts over the single rate to be the responsibility of the traveler. However, we noted a reimbursement for lodging at the higher double occupancy rate resulting in \$57 of nonallowable expenses.

- Sales Tax Exemption

Travelers should try to obtain the Florida sales tax exemption on hotel lodging. However, we noted several instances where sales tax was paid on hotel lodging.

- Meals included in conference registration fees

Travelers may not claim reimbursement for meals already included in the price of a conference. However, we noted that a traveler was reimbursed a dinner per diem for a meal provided at the conference.

Conclusion

Management has generally established an effective system of internal control over travel expenses. However, based on the results of our review and the exceptions noted above, we believe further actions are necessary to improve management controls over this program. Departures from policies and procedures provide a higher risk that unauthorized travel may occur or expenses incurred may exceed those that a prudent person would exercise in traveling on personal business.

Recommendation

We recommend management take steps necessary to improve internal controls over travel expenses such as issuing internal communications to re-emphasize travel policies and procedures including time limits, expense guidelines, supporting documentation and requirements for supervisory reviews.

We also recommend that management continue efforts to maintain the General Government pending travel report file to ensure that outstanding travel reports are timely reconciled.

Management's Response

We appreciate the efforts of the City Auditor's Office to provide us with opportunities to improve efficiency and accountability within the Finance Department.

A. Timeliness of Travel Requests and Expense Reconciliations

Management agrees that every reasonable effort should be made to ensure that travel advances and final reports are submitted within their respective time limits. We are recirculating internal communications to remind personnel of this policy.

B. Supervisory Review

Management agrees that appropriate supervisory approval is necessary to prevent unauthorized travel. With respect to the instance mentioned, the travel was authorized by the appropriate designee, but documentation to that effect was not included with the audited file. The Finance Department will make better efforts to keep necessary documentation with each file.

C. Supporting Documentation

Management agrees that no unsubstantiated expenses should be reimbursed. With respect to the referenced oversight, the receipt was subsequently obtained with the Visa bill, even though it was inadvertently excluded from the initial travel expense report.

D. Allowable Expenses

Management affirms a stringent adherence to excluding disallowable travel expenses from reimbursement. The Finance Department makes a conscious effort to scrutinize travel expense reports for these items.

With regard to the double occupancy rate, the hotel had overbooked the block of rooms reserved for the conference the employee was attending. All single occupancy rooms had been rented and the hotel only had double occupancy rooms available. Additionally, the double occupancy rate was the best rate available in the area during the conference.

With regard to the conference meal, while the Finance Department is normally vigilant regarding meals provided during conferences, this one was overlooked. The Finance Department will make better efforts to keep review conference agendas for provided meals.

Management also agrees that every reasonable effort should be made to obtain sales tax exemption. Some establishments have more stringent criteria for applying sales tax exemptions and refuse to grant the exemption for payments made with personal credit cards, which are sometimes necessary to expedite travel plans. However, travelers are expected to ask for the sales tax exemption, even though the establishment may not ultimately allow it.