



MEMORANDUM

City of Fort Smith
Internal Audit

TO: Board of Directors

FROM: Tracey Shockley

DATE: April 2020

SUBJECT: City Travel and Expense Reimbursement Review

Remediation testing was completed on personal Travel and Expense Reimbursements for Credit Card Holders as well as a review of employee's Travel and Expense Reimbursements in each department throughout the City. This review was to determine whether the charges complied with the City's policies and ensuring charges were not duplicated for years 2018 and 2019.

The cardholders and non-cardholder employees were reviewed for the following:

- Proper support/documentation was attached,
- The Travel and Expense Reimbursement report was approved properly,
- Reimbursement expenses were appropriate,
- Expenses were not duplicated and reimbursed, and
- Cardholders did not charge an expense on the credit card and then reimbursed on the Travel and Reimbursement Expense report.
- The Travel and Expense Reimbursement report was submitted timely,

Two Hundred and Ninety (290) City employee Travel and Expense Reimbursement reports and support were reviewed, some included multiple exceptions. Based upon the areas tested above the following exceptions were noted:

- Proper support was not attached or there was no support for 12% of the travel and expense reports. For example, the agenda, class schedule, itemized receipts, names listed for food purchases, etc....were not attached.
- City Administrator and/or Department Head/designee approval was not present on 36% of travel advances and/or expense reports.
- Preapproval/documentation was not obtained for classes/training to arrive a day early for seven travel and expense report. The classes/training start at 9am or later.
- Four travel advances and/or expense reports did not have support attached to show reimbursement to the City.

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- Travel and expense report reconciliations could not be located for 14% of the travel advances. It was noted during the audit closing meetings with the departments that some travel advances were reconciled upon return and provided to the Finance Department. The Finance Department did not attach the reconciliation in the system when the advance was reclassified to the appropriate travel accounting code. However the new Finance Director has changed this and it will be attached in the ERP system when the travel advance is reclassified.
- Seven travel and expense reports did not have the correct documentation attached or the correct information attached to verify the expenses were appropriate. For example, the General Service Administration (GSA) rates were incorrect or the expense documentation attached related to a different expense report.
- Nine travel advance requests were not signed by the employee.
- Two travel and expense reports had per-diem that could not be determined as to accuracy based on the information attached to the report.
- Twenty-five travel and expense reports were not submitted timely.
- Three travel and expense reports had reimbursements that were also charges on the City P-card.
- Fourteen travel and expense reports were not signed/date by employees.
- Three travel and expense reports had per-diem amounts that were over the allowable amount for that location.
- Four travel and expense reports showed possible evidence of a lack of diligent review by the approver because an appropriate level of review should have noted the amounts were incorrect, proper support was not attached, and calculations did not agree.
- Four travel and expense reports had reimbursements for meals that were provided at the conference/training.
- Six travel and expense reports had incorrect GSA rates listed for reimbursement.
- One travel and expense report had per-diem that was not totaled correctly.
- Three travel and expense reports did not have prior approval or documentation that allowed the employee to drive instead of flying. Additionally, the cost savings was not attached for the alternative method of travel.
- Thirteen travel and expense reports had expenses that did not appear appropriate for reimbursement. For example, parking, alcohol tip, per-diem for several days before the class training/conference days.
- One travel advance had an override of controls by the prior Finance Director to the ITS employee who was a part of the system integration. No support could be located to show the travel advance was reconciled.
- Three travel and expense reports had reimbursements that did not seem appropriate because the employee was flying back from a different state that was not where the conference was held without any documentation or explanation.
- One travel and expense report required further explanation to evaluate the appropriateness of missing the majority of the conference and nights booked for a hotel room that was not canceled.
- Three travel and expense reports had expenses for reimbursement relating to travel of days before the conference and no approval by Administration or documentation for approval of the charges to the City.

- Two travel and expense reimbursements for the employee remaining in the conference location extra days should have provided documentation to show there were no additional cost to the City in airfare.
- One travel and expense report had reimbursement for Uber charges and the employee drove a City vehicle or rental car.
- One travel and expense report had an approval by the City Administrator that did not have support attached.

During testing, IA noted that the Department Head travel and expense reports were not reviewed and approved by the City Administrator/designee. Upon notification, the City Administrator informed the Department Heads and contacted the ERP Program Manager to direct the travel and expense reports to him for review and approval. Additionally, any Department Head travel advances should also be approved by the City Administrator/designee.

A best practice would be to have a checklist to ensure all required items are attached to the travel and expense reimbursement report before entering the request into the ERP system and sending the support to the Finance Department for further processing and payment.

City Administrator response:

The report is also factual and concise. A travel and expense checklist will be implemented.

Internal Audit provided the travel and expense checklist that was used by the Utilities Department as an example to the Deputy City Administrator. IA also had discussions with the Director of Human Resource and the Director of Finance regarding the need to update the travel policies and procedures in the City handbook. Both Directors agreed that the policies and procedures should be separate from the City handbook. The handbook will reference those areas to the policies and procedures that the Finance Department will update and add additional procedures needed based upon the exceptions noted in the remediation testing.