

# **Audit Follow-Up**

**As of September 30, 2013**



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City Auditor

## **Audit of City Travel & Training**

**(Report #1309 issued March 22, 2013)**

**Report #1410**

**February 3, 2014**

### **Summary**

This is the first follow-up on the Audit of City Travel and Training (Report #1309 issued March 22, 2013). In that audit report we identified areas where improvements could be made to the City of Tallahassee's (City) travel procedures and in the level of compliance therewith. As of September 30, 2013, six of the 10 action plan steps established to address those areas were due for completion, and three (50%) of those six action plan steps had been completed. Actions have been initiated or are planned to complete the other three steps. Subsequent follow-up engagements will address the status of all remaining action plan steps.

We commend applicable City departments for completing three of the assigned action plan steps during this follow-up period. The action plan steps completed during this period included:

- 1) Departments implement steps to ensure travel forms are properly and timely signed and dated and submitted according to the timelines set forth in Administrative Policy and Procedure (APP) 602 [Action Plan Step 4].
- 2) Changes to travel documentation made after applicable forms and records are signed should be communicated to the employee

and supervisor for written acknowledgment and confirmation that the changes are correct [Action Plan Step 5].

- 3) The Department of Management and Administration (DMA) will remind departments during the annual review of critical policies (related to conflict of interest provisions) to not accept free conference registration and lodging from vendors that do or could do business with the City [Action Plan Step 6].

The three steps for which actions were in progress, but not yet completed, were:

- 1) City management will review each instance of reimbursements made for ineligible meals identified in the audit to determine if employees should or should not repay the City [Action Plan Step 1].
- 2) Consider making revisions to APP 602, the travel policy, to address needed guidance and clarification [Action Plan Step 2].
- 3) Departments and Procurement Services will improve their review process to ensure employees are only reimbursed for eligible meals [Action Plan Step 3].

Action Plan Step 1 requires City management review instances in which reimbursements had been made for ineligible meals, and determine if the employees should or should not repay the City. As discussed in the succeeding paragraph

addressing the status of Action Plan Steps 2 and 3, management is considering several revisions to the City's travel policy that may impact the amounts and allowability of particular travel-related expenses, including those expenses relating to meals. Following the adoption of these policy revisions, final management decisions will be made with respect to those instances in which repayments will be required.

As part of its efforts to complete Action Plan Steps 2 and 3, DMA has proposed changes to the travel policy, and those changes are being reviewed by management. The completion date has been amended to March 31, 2014, allowing management time to review and provide input on the proposed changes.

We appreciate the cooperation and assistance provided by DMA, Economic and Community Development, Electric Utility, Growth Management, Fire, Fleet, Solid Waste, StarMetro, and Utility Business and Customer Services (UBCS) in completion of this audit follow-up.

### ***Scope, Objectives, and Methodology***

We conducted the original audit and this follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### ***Report #1309***

The purpose of the original audit as described in report #1309 was to evaluate internal controls and compliance with the City of Tallahassee's (City) travel policies and procedures for the period January 2011 through April 2012. During the 16-month period covered by the audit, \$1,535,406 was charged to the Travel and Training category. The audit objectives were to determine whether travel expenditures were:

- 1) Only for travel related to the conduct of City business.
- 2) Properly accounted for and accurately recorded.
- 3) In compliance with the City's travel procedures, including whether the travel was conducted in an efficient and economical manner.

An additional audit objective was to identify areas where improvements could be made to the City's travel procedures.

As described in report #1309, we selected a random sample of 60 charges to the Travel and Training category and determined which of those sampled charges involved travel. For those charges pertaining to travel, we obtained the applicable travel request and expense forms and identified all costs associated with the trips. If we identified other employees traveling on the same trip, we also included and tested all costs associated with their trips. Sampled charges involving training but no travel were also tested.

Documentation supporting all sampled expenses was obtained from the City's electronic records and from applicable City departments. As needed, we interviewed individual travelers and other City staff.

In total, we tested 89 travel trips and 15 training transactions involving no travel. Tested trips and transactions represented \$113,544 (7%) of the \$1,535,406 spent on travel and training during the audit period. Of the \$113,544 tested, \$106,324 pertained to the 89 trips and \$7,219 pertained to training registrations involving no travel.

**Report #1410**

This is our first follow-up on action plan steps identified in audit report #1309. The purpose of this follow-up is to report on the progress and status of the efforts to complete action plan steps due for completion as of September 30, 2013. To determine the status of the action plan steps, we interviewed staff, made observations, and reviewed relevant documentation.

**Background**

Employees travel to represent the City at meetings, professional conferences, and attend job related training. Such training provides employees opportunities to:

- Gain knowledge of current industry trends, standards, and best practices.
- Maintain professional certifications.
- Sharpen existing skills.

The benefit to the City is employees can utilize their knowledge and skills to help run a more efficient and effective city government.

Travel policies and procedures have been established through APP 602, "Travel and Training Policy." Key requirements of the City's travel policies and procedures include:

- Expenses incurred shall be necessary to accomplish the authorized public purpose, and adequate documentation shall be

maintained that supports the public purpose of the travel.

- Economics shall be the primary consideration when making travel arrangements, resulting in the lowest overall cost and shortest time away (efficiency). If the traveler selects a different route or rate, for his or her own benefit, reimbursement shall be limited to that which best suits the interest of the City and the traveler shall pay the difference, if a less suited method is chosen.
- Travelers must submit a signed and approved travel request form at least 3 days before the trip indicating the dates and times of the trip and estimating the expenses to be incurred. If a travel advance is requested, the travel request form must be submitted 7 days before the trip.
- Travelers must submit a signed and approved travel expense form within 14 days after the trip stating the actual dates and times of the trip and the actual expenses incurred.
- The City reimburses mileage based on the IRS Standard Mileage Rates (\$.555 cents per mile in 2012).

Meals are reimbursed based on the Runzheimer's Meal – Lodging Cost Index, which establishes meal reimbursement amounts based on the destination city (or closest city). Payment for meals is based on the times employees leave for and return from the trip and excludes meals provided in registration fees and by hotels or other sources. The travel and training budget is a small part of the annual budget. For fiscal year 2012 the budget was \$860,763 which was only 0.16% of the City's \$535 million operating budget, not including fuel.

### *Previous Conditions and Current Status*

In report #1309 we concluded the following:

- 1) The stated purpose of each of the 89 travel trips reviewed was related to the conduct of City business.
- 2) Overall, travel and related expenditures were properly accounted for and accurately recorded. Of the 89 travel trips tested, we noted 17 (19%) travel expense forms with minor miscalculations or mistakes that had no financial impact.
- 3) Approximately 97% (\$102,684 of the \$106,324) of the costs of the tested travel trips were incurred following practices which were economical and in compliance with City policies and procedures. Our testing showed that up to 3% (\$3,640) could have been saved in 72 instances of noncompliance if employees had chosen more economical transportation modes and not claimed and been reimbursed for ineligible meals.

Additionally, we noted 54 instances of noncompliance without a dollar impact.

- 4) Each of the 15 training transactions that did not involve travel was properly approved and correctly recorded.

We also noted additional issues during our testing. Registration fees and lodging, valued at \$5,380, were paid for City employees to attend a conference sponsored by an active City vendor/contractor. Additionally, in our review of the City's travel policy, we noted the City's travel policy includes some areas that need to be updated, and others that need to be clarified.

We provided recommendations to City management related to those areas that needed to be addressed in regard to compliance with and improvement to the City's travel policies and procedures. Management created an action plan consisting of 10 action plan steps, with six due for completion by September 30, 2013. As shown in Table 1 below, three of these six steps were completed, and completion of the remaining three steps due as of that date is in progress.

**Table 1**  
**Action Plan Steps from Audit Report #1309**  
**Due as of September 30, 2013, and Current Status**

Action Plan Steps Due as of September 30, 2013	Current Status
<ul style="list-style-type: none"> <li>• City management will review each instance of reimbursement made for ineligible meals identified in the audit to determine if employees should or should not repay the City. <i>[Report #1309 Action Plan Step 1]</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> As discussed under Action Plan Steps 2 and 3, management is considering several revisions to the City’s travel policy that may impact the amounts and allowability of particular travel-related expenses, including those expenses relating to meals. Following the adoption of the policy revisions, final management decisions will be made with respect to those instances in which repayments will be required.</li> </ul>
<ul style="list-style-type: none"> <li>• Consider revising APP 602 to <i>[Report #1309 Action Plan Step 2]</i>:             <ol style="list-style-type: none"> <li>a. Include guidance on evaluating the available options to determine the most economical and efficient method of travel that can be utilized, including rental car usage; specifically encouraging use of the State of Florida’s rental car rate unless a more economical method is available, and indicating which level of rental car is appropriate (e.g. subcompact, or compact).</li> <li>b. Include guidance on the level of documentation required to show the various alternative travel methods considered.</li> <li>c. Clarify the mileage reimbursement portion of the policy. The policy is not clear about the actual process leaving many departments unsure whether actual mileage or the mileage shown by the Florida Department of Transportation’s mileage chart should be submitted for reimbursement. <i>[This action plan step refers to the lack of specific language allowing employees to submit actual mileage driven in lieu of using the Florida Department of Transportation’s mileage chart which shows the mileage to and from the cities throughout the State of Florida.]</i></li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> DMA indicated proposed changes to the travel policy are being considered by management. The completion date has been amended to March 31, 2014, allowing management time to review and provide input on the proposed changes.</li> </ul>

<p>d. Allow the breakfast meal allowance when breakfast is provided complimentary in the lodging cost.</p>	
<ul style="list-style-type: none"> <li>• Departments and Procurement Services will update their review process to ensure employees are only reimbursed for eligible meals. <i>[Report #1309 Action Plan Step 3] (The primary meal that was determined by the audit to be ineligible for reimbursement was the breakfast meal.)</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> This step will be addressed once a determination has been made about the potential policy revision noted in Action Plan Step 2, Item d. Accordingly, the completion date has been amended to March 31, 2014, allowing management time to review and provide input on the proposed changes.</li> </ul>
<ul style="list-style-type: none"> <li>• Departments implement steps to ensure travel forms are properly and timely signed and dated and submitted according to the timelines set forth in APP 602. <i>[Report #1309 Action Plan Step 4]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> Through its review process, DMA has verified that, as a result of the audit, the travel forms are being submitted by the departments in a timelier manner and the forms are being signed appropriately.</li> </ul>
<ul style="list-style-type: none"> <li>• Changes to travel documentation made after applicable forms and records are signed should be communicated to the employee and supervisor for written acknowledgment and confirmation that the changes are correct. <i>[Report #1309 Action Plan Step 5]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> As part of its review process, Procurement Services is now notifying departments when Procurement Services has corrected errors on the signed and submitted travel forms. The purpose of the notification is to allow departments to confirm that the corrections were appropriate.</li> </ul>
<ul style="list-style-type: none"> <li>• DMA will remind departments during the annual review of critical policies (related to conflict of interest provisions) to not accept free conference registration and lodging from vendors that do or could do business with the City. <i>[Report #1309 Action Plan Step 6]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> DMA modified the wording in APP 706.06C to further explain free items that could be considered a conflict of interest if accepted by the employees, including, but not limited to, free conference registration, lodging, meals, golf trips, or concerts. Through the annual review of critical policy email sent November 6, 2013, DMA has reminded all departments of the City’s conflict of interest policy provisions.</li> </ul>

**Table Legend:**

- Issue to be addressed from the original audit.

- ✓ Action item addressed and resolved.

- ❖ Action item initiated but not completed.

## Conclusion

Table 1 above shows three of six action plan steps due this period have been completed as of September 30, 2013, and efforts are in progress to complete the remaining three steps. The completion dates for the items in progress have been amended.

In addition to the three steps referenced above in Table 1, which are in progress but not completed, there are four additional steps due for completion in future periods.

Those four steps include:

- 1) DMA should work with management to reconsider whether the Runzheimer's Meal-Lodging Cost Index is still the best option for fair and equitable meal reimbursements, or if another index, such as the U.S. General Services Administration (GSA) rates, would be a better alternative. (*Action Plan Step 7*)
- 2) Should Runzheimer's continue as the preferred index, consideration should be given to: (*Action Plan Step 8*)
  - a. Modifying the time periods when breakfast and dinner meals are reimbursed.
  - b. Clarifying the policy when an employee's trip ends to provide guidance regarding what meals are eligible for reimbursement.
  - c. Eliminating the state average requirement and establishing guidelines for how employees should be reimbursed for meals in cities not shown in Runzheimer's.
- 3) Reconsider whether paper checks are still the best reimbursement method, or whether direct

deposit and payroll deduction would be a more effective and efficient method of reimbursing the employee and the City. (*Action Plan Step 9*)

- 4) Increase process efficiencies by working with Departments to streamline the travel submission process, including electronically submitting travel documents. (*Action Plan Step 10*)

The City's progress in completing all remaining action plan steps will be reviewed in our subsequent follow-up audit.

We appreciate the cooperation and assistance provided by DMA, ECD, Electric Utility, Growth Management, Fire, Fleet, Solid Waste, StarMetro, and UBCS in completion of this audit follow-up.

## Appointed Official's Response

### **City Manager:**

We appreciate the work done by the City Auditor on the City Travel & Training follow-up audit. We are pleased that three of the six action plans scheduled to be completed by September 2013 have been completed and that work has begun on the remaining three action plan items. We will continue to evaluate the recommendations contained in the original audit as it relates to other remaining items as we work to complete these.

Copies of this audit follow-up #1410 or audit report #1309 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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