

October 3, 2007

Honorable Ron Littlefield
Mayor, City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: Post Audit Review of Citywide Travel, Audit 07-02

Dear Mayor Littlefield:

On April 16, 2007, the Internal Audit Division released an audit on Citywide Travel. We performed certain procedures, as enumerated below, with respect to activities of the Department of Finance in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 07-02 were that:

1. It appeared not all travel expenditures were in compliance with the travel policy.
2. It appeared not all travel expenses were economical, reasonable and supported.
3. It appeared travel expense reports were submitted timely and processed correctly.
4. It appeared travel expenditures were approved by proper authority and authorized appropriately.
5. It appeared not all travel expense reports were calculated correctly.

6. It appeared excess money received from cash advances were reimbursed to the City.

The audit contained five recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 2, 3 and 5 were implemented and 4 was partially implemented.

Recommendations Implemented 1, 2, 3 and 5

We recommended (**Recommendation 1**) that employees should not be reimbursed for expenditures that are not approved in advance. Per discussion with the Department of Finance's Manager of Financial Operations, an advance approval form is submitted with the employee's travel package and employees are not reimbursed for expenditures that are not approved in advance. However, per the Manager of Financial Operations, after the new revised travel policies are implemented at the end of the month, employees will no longer be required to obtain approval in advance. We reviewed a draft copy of the revised travel policies, which indicates reimbursements will not be made without proper authorization.

We recommended (**Recommendation 2**) that the Department of Finance ensure responsible staff is properly trained in application and knowledgeable of the travel policies to prevent miscalculation. In addition, we recommended the Department of Finance consider enhancing the Citywide Travel Policies to read more clearly with regard to per diem rates and/or consider revising the policy to reflect a more simplified method to calculate the per diem amounts. Per discussion with the Department of Finance's Manager of Financial Operations, they have ensured staff is properly trained in application and knowledgeable of the travel policies. In addition, the Department of Finance has revised the travel policies which shall be issued and implemented by the end of October. Per the revised policies, it appears the Department of Finance has enhanced the policies to read more clearly with regards to per diem rates. In addition, it appears there is now a more simplified method to calculate per diem (full per diem rate will be reimbursed to employees for each full day of travel and day of departure and return will be at 75% of the daily per diem rate). Per the Manager of Financial Operations, the revised policies would have been implemented prior to date, however, MTAS recently issued a letter stating the CONUS rates are changing. Therefore, the Department of Finance would have to revise the policies to reflect those same rates.

We recommended (**Recommendation 3**) that the Department of Finance adhere to the travel regulations and any expenditure not accompanied with an original receipt should not be paid. In addition, due to the inconsistency of receipts received from cab drivers, we recommended the Department of Finance consider revising the policy in regards to receipts required for cab fares.

Per discussion with the Department's Manager of Financial Operations, they are adhering to the travel regulations. Per the Manager of Financial Operations, revised travel policies and procedures will be issued by the end of October. The revised policies indicate claims that do not comply with the travel regulations will not be reimbursed. The Department of Finance did consider revising the policy in regards to requirements for cab fare receipts. However, the Department did not consider it feasible to modify the policy in regards to receipts for cab fares. The revised policy still indicates receipts are required for cab fares.

We recommended (**Recommendation 5**) that any exemptions or overrides to the travel policies should only be approved by the Mayor's office. Per the revised travel policies to be issued by the end of October, the Mayor shall have exclusive authority to grant exemptions or overrides to the travel policies.

Recommendations Partially Implemented 4

We recommended (**Recommendation 4**) that the City should consider recouping the funds overpaid to both employees. We recommended appropriate disciplinary action be considered. The City has recouped all funds overpaid to both employees. However, no disciplinary action was taken. Per the Chief of Police, he does not believe the employees intentionally collected funds that were not due them.

We recommended the Department of Finance not process (return) requests that do not contain proper support. Per discussion with Department of Finance Manager of Financial Operations, they are not processing requests that do not contain proper support. In addition, the revised travel policies indicate in several areas that supporting documentation must be attached with the travel expense report.

We thank the personnel in the Department of Finance for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,

Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Daisy Madison, City Finance Officer
Freeman Cooper, Chief of Police