

**CITYWIDE TRAVEL**

**AUDIT 07-02**

**March 27, 2007**



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

**April 16, 2007**

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

**RE: Citywide Travel, Audit 07-02**

**Dear Mayor Littlefield:**

**Attached is the Internal Audit Division's report on Citywide Travel.**

**We thank the staff of the Finance Department for their cooperation and assistance during this audit.**

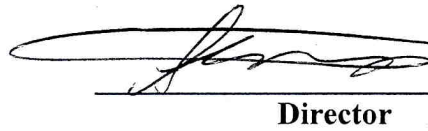
**Very truly yours,**

**Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit**

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

**CITYWIDE TRAVEL  
AUDIT 07-02**

  
\_\_\_\_\_  
**Auditor**

  
\_\_\_\_\_  
**Director**

# **CITYWIDE TRAVEL AUDIT 07-02**

## **INTRODUCTION**

In order to control travel expenditures, the City of Chattanooga implemented detailed Citywide Travel Regulations. All departments must abide by such regulations except where departments are governed by state or federal travel regulations, those regulations shall take precedence. The most recent revised version of the regulations was placed in effect on January 31, 2006. The authority for advance approvals, lodging and meals, miscellaneous expenses, mileage reimbursement, air travel, one day travel, rental car, extended travel, meals and entertainment expenses, receipts and reimbursement claims are established in the regulations.

During the fiscal year ending June 30, 2006, City employees were reimbursed over \$500,000 for travel related expenses.

This audit evaluated the adequacy of the Department of Finance (DOF) internal controls over Citywide travel expenses and determined whether travel expenses were in compliance with Citywide Travel Guidelines. The audit also determined whether travel expenses were necessary, reasonable and for authorized individuals.

## **STATEMENT OF OBJECTIVES**

1. Ensure travel expenditures were in compliance with the travel policy.
2. Ensure travel expenses were economical, reasonable and supported.
3. Ensure travel expense reports were submitted timely and processed correctly.
4. Ensure travel expenditures were approved by proper authority and authorized appropriately.
5. Ensure the travel expense reports were calculated correctly.
6. Ensure excess money received from cash advances was reimbursed to the City.

## **STATEMENT OF SCOPE**

Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover travel reimbursement expenditures from July 1, 2005 to June 30, 2006.

## **STATEMENT OF METHODOLOGY**

Internal Audit (IA) staff reviewed the Citywide travel policies and procedures and met with City officials to obtain an understanding of operations over travel expenses. In addition, IA reviewed travel vouchers, expense reports, accounting records and other supporting documentation that relate to the travel expenses.

Internal Audit examined a sample of sixty-four (64) travel expenditures based on a population of 2,768 travel expenditures reimbursed during fiscal year 2006 (July 1, 2005-June 30, 2006). All expenditures selected were included on a travel expense report that included several other expenditures (i.e. meals, hotel, registration fees, transportation, etc.). All expenditures on each travel expense report were tested. Also, IA examined eight travel expenditures for City Administrators to test for Mayor Authorization.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

In addition to the 64 travel expenditures selected, IA also tested any cash advances received to ensure there were proper expenses to support the advance and any excess funds were returned to the City. In order to ensure cash advances were proper, auditor had to test all expenses on each travel expense report. In addition, auditor tested the reconciliation of cash advances to the general ledger and ensured excess cash advances due to the City were received.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial systems (BANNER software system). The City's financial system was previously determined to be reliable and no additional work was necessary.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions. In addition we abide by the standards of professional practice established by the Institute of Internal Auditors.

## **AUDIT CONCLUSIONS**

1. It appears not all travel expenditures were in compliance with the travel policy.
2. It appears not all travel expenses were economical, reasonable and supported.
3. It appears travel expense reports were submitted timely and processed correctly.
4. It appears travel expenditures were approved by proper authority and authorized appropriately.
5. It appears not all travel expense reports were calculated correctly.
6. It appears excess money received from cash advances was reimbursed to the City.

## **ADVANCE TRAVEL APPROVAL**

The City's Travel Regulations state, "Travel expenses may not be claimed for City personnel not having proper advance travel approval. Employees are to request advance approval for travel by submitting a completed "*Travel Request*" form to their department head." After reviewing sixty-four travel expense reports, IA noted one situation where a travel expense report was submitted and paid without submission of a Travel Request form.

## **RECOMMENDATION 1**

Employees should not be reimbursed for expenditures that are not approved in advance.

## **AUDITEE RESPONSE**

We concur with the audit finding. We will re-examine this requirement given that the Department head has to approve any expense reimbursement or advance which is de facto approval of the employee's travel.

## **PER DIEM CALCULATIONS**

Per the City's Travel Regulations, meal per diem is provided in full for each full day of travel. The rates depend on the location in which the employee is located. Per the Regulations, in the event a conference provides lunch, the daily meal per diem is decreased by 25% and when dinner is provided it is decreased by 50%. In addition, per the Regulations, "reimbursements for departure dates and arrival dates are determined by the time the employee leaves or returns to his/her residence or official work site." As noted in the Regulations, employees still at their residence or official work site at the following times shall be reimbursed per diem at the following rates:

<b>Time</b>	<b>Date of Departure</b>	<b>Date of Return</b>
7:00 a.m.	75%	0%
1:30 p.m.	50%	50%
7:00 p.m.	0%	75%

It appears the wrong rates were used when calculating per diem for seven employees. It appears four employees did not take advantage of the full per diem amount, therefore not receiving the full per diem allowed. However, it appears three other employees received funds from per diem that they should not have received. All per diem amounts were recalculated by Internal Audit based on the Citywide Travel Regulations and it appears based on recalculation, the per diem amount was miscalculated by both the employees and the Department of Finance. It appears these three employees were all overpaid by the City.

Per the Travel Regulations, departure and arrival times must be noted on a Travel Expense Report when employees return from their trip in order to determine the correct amount of per diem allowed on each day. In two situations employees did not indicate the time of departure or arrival, hence, there was no way of calculating the correct per diem amount. However, each employee was paid per diem on the assumption that the employee had entered the correct amount.

### **RECOMMENDATION 2**

The Department of Finance should ensure responsible staff is properly trained in application and knowledgeable of the travel policies to prevent miscalculation.

The Department of Finance should 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. An option would be to pay employees half the per diem amount on date of departure and date of return.

### **AUDITEE RESPONSE**

We concur with the audit finding. The Finance Department has recently reassigned and trained staff members performing the travel review. Additional staff will be trained as back up for those with primary responsibility. In addition, the Finance Department is considering revision of the current travel policy to clarify per diem requirements and simplify per diem calculations.

### **EXPENDITURES NOT SUPPORTED**

Per the regulations, employees are to keep adequate expense records for supporting reimbursement claims. In addition, original receipts are required for all reimbursable items except the meals reimbursed according to the meal per diem and tips not related to meals. Two travel vouchers did not have proper supporting documentation to support the expenditures. However, these expenditures were processed and paid by the Department of Finance. One expenditure was for gas and the other expenditure was for cab fare. No receipts were attached to accompany these expenditures. Though the policy requires receipts for cab fares, IA acknowledges that cab drivers rarely give valid receipts.

### **RECOMMENDATION 3**

The Department of Finance should 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, the Department of Finance should consider revising the policy in regards to receipts required for cab fares. An option could be receipts are required when cab fares are over a certain amount.

### **AUDITEE RESPONSE**

We concur with the audit finding. Personnel currently performing travel reviews are aware of the travel requirements and will ensure documentation is included in the travel expense report.

### **FBI ACADEMY ERRONEOUS CLAIM**

The FBI Academy's goal is to support, promote and enhance the personal and professional development of experienced law enforcement officers by providing relevant education and training and to increase their information networks in order to prepare them for increasingly complex and dynamic leadership roles in the law enforcement community.

**The Academy provides books, equipment needed, laundry services, lodging, meals and the costs for transportation to and from the Academy to all officers who attend the Academy.** Checks for transportation are issued in the officer's name and the officer is responsible for submitting any monies owed to the City. If any employee drives a City vehicle, the City is entitled to all monies for transportation received from the Academy. All of this information is stated in the brochure provided from the Academy that all officers receive and are to bring with them while they are in attendance at the Academy.



It appears with the exception of an assessment fee in the amount of one hundred fifteen dollars (\$115.00), membership dues in the amount of one hundred five dollars (\$105.00), and some uniforms that must be purchased upon arrival to the Academy, which may vary in price, the FBI Academy is intended to be a zero (\$0) cost for the City. Therefore, the City should not incur any other expenses beyond those listed above. However, at best when applying the City's policies, an employee attending the Academy should only receive twenty-five percent (25%) of the allowed per diem per day.

It appears the Department of Finance and Administration processed and paid an erroneous travel claim. It appears an employee on extended travel to the FBI Academy received a total of one thousand seven hundred ninety-one dollars and ninety-two cents (\$1,791.92) in funds in which they should not have received. As noted above, all officers are given a brochure from the Academy detailing information indicating what the Academy will provide. It appears the brochure was intentionally not included with supporting documentation attached to the employee's expense report submitted to the Department of Finance. The brochure clearly states meals will be provided.

Internal Audit spoke with the employee who stated meals were not provided on the weekend. However, Internal Audit spoke with a representative at the Academy who informed the auditor that meals were provided everyday including the weekends. This employee was paid full per diem on days in which they should have at best received only 25% of the full per diem amount due to meals being provided. Though the Citywide travel policies do not address extended travel situations in detail, they clearly state if meals are provided, per diem should be decreased. In addition the travel policies state, "City employees are expected to be as conservative as circumstances permit..." It appears the most conservative option for City employees attending the FBI Academy is to utilize the room and board provided by the Academy.

Per the travel policies, specific advance approval is required on the Travel Request form for rental car reimbursement. In addition, there must be a compelling public interest that requires the use of a rental car. Per the employee's Travel Request form, there was no approval for a rental car. However, it appears this employee was allowed to have their husband rent a car at the City's expense for personal use. The City paid forty-five dollars and forty-two cents (\$45.42) for the employee's husband (also a City employee) to rent a car to use for personal use. It was obvious that their husband rented the car due to the fact that his name was printed on the invoice as the renter. It appears the employee's husband used the car to visit the employee while on extended travel. Section 6-56-112 of the Tennessee Code Annotated: Lawful Municipal Purpose Required states, "all expenditures of money made by a municipality must be made for a lawful municipal purpose." Renting a car for an employee's husband to use for personal use is not a municipal purpose. In addition, there was no compelling public interest that required the use of this rental car.

In addition, this same employee could not produce proper receipts to document gas reimbursements. This employee received an additional ten dollars (\$10.00) for gas in which they could not provide proper documentation.

It appears the employee who attended the Academy did not complete their own expense report submitted to the Department of Finance. The expense report was completed by an Executive Assistant in the Police Department based on information received from the employee who attended the Academy. However, the employee who attended the Academy did sign the expense report signifying approval of what was entered by the Executive Assistant. Per the Executive Assistant, this particular expense report was completed based on how previous expense reports were completed for other officers who attended the Academy. Internal Audit discovered this to be an untrue statement. Internal Audit obtained several expense reports for other employees who attended the Academy prior to this employee and discovered none of them were completed like this employee's. It appeared most of them adhered to the Citywide Travel Policies. However, there was one employee who attended the Academy after this employee whose expense report was completed similarly. It appears this employee was also overpaid by the City. It appears this employee received one thousand nine hundred forty-three dollars and fifty cents (\$1,943.50) in funds in which they should not have received.

As stated above, it appears the officer who attended the FBI Academy intentionally did not include the brochure with supporting documentation. Per the Citywide Travel Policies, expense reports should be supported by conference or event materials that confirm the purpose of the trip and what meals are included. There was no brochure or any other type of material included with this employee's expense report that indicated what meals were included. In addition, after reviewing additional expense reports of officers who attended the Academy prior to and after this employee, it appears no brochures or any other information detailing what meals would be provided were attached. Therefore, the Department of Finance should not have processed these expense reports.

#### **RECOMMENDATION 4**

The City should consider recouping the funds overpaid to both employees. Appropriate disciplinary action should be considered.

The Department of Finance should not process (return) requests that do not contain proper support.

#### **AUDITEE RESPONSE**

We concur with the audit finding. Personnel currently performing travel reviews are aware of the travel requirements and will ensure that the travel forms are completed properly and documentation such as receipts and brochures are included as appropriate.

## **AUDITEE RESPONSE - POLICE DEPARTMENT**

I have reviewed the Citywide Travel Audit as it pertains to the FBI National Academy. The Police Department will recoup the overpaid funds from the two employees and those funds will be repaid to the Finance Division. I do not share the opinion of the auditor that there was ever any intent to purposely not include a brochure for the FBI Academy, nor do I believe that any employee purposely intended to collect funds that were not believed at the time were due them.

All employees involved and I now have a clear understanding of the Citywide Travel policy. As administrator of this Department I will ensure that the policy is adhered to.

## **SEGREGATION OF DUTIES**

Per the Citywide Travel Policies, the City Finance Officer has the exclusive authority to grant exemption from any or all parts of the policy whenever deemed necessary and appropriate. This is a control weakness. The Finance Department is responsible for ensuring compliance with the policies and securing all travel documents. In addition, the Finance Officer is responsible for final authorization of warrant vouchers. Departments should be organized in a way to achieve adequate segregation of duties. Therefore, the Finance Officer should not have the authority to override the policy.

## **RECOMMENDATION 5**

Having different people engaged in critical positions within the process is a common, sensible business practice that ensures consistent and successful execution of policies. Therefore, any exemptions or overrides to the travel policies should only be approved by the Mayor's office.

## **AUDITEE RESPONSE**

We concur with audit finding. Travel regulations will be revised to provide policy override authority to the Mayor.