



MEMORANDUM

City of Fort Smith
Internal Audit

TO: Board of Directors, City of Fort Smith

FROM: Tracey Shockley

DATE: June 2, 2016

SUBJECT: City Travel and Expense Reimbursement Executive Summary

Background:

A comprehensive review was completed on all personal Travel and Expense Reimbursements for all 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 2013, 2014 and 2015.

The purpose of this audit was to assess the City of Fort Smith Travel and Expense Reimbursements, specifically controls over the expenditures, both financially and by department. The Travel and Expense Reimbursement review was an extension of the credit card audit.

Based upon the information provided, the total amount for credit card expenditures identified as travel expenditures were \$324,447 for years 2013, 2014, and partial 2015. The total amount for travel and expense reimbursements were \$688,765 for years 2013, 2014, and 2015.

For the three year travel and expense reimbursement testing, twenty-two departments were reviewed and based upon the analysis, the top five departments with the most expenditures were Police Department with \$125,342; Utilities with \$107,926; Fire Department with \$86,120; A&P with \$68,857; and IT with \$51,700.

Scope of Work:

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

- The Travel and Expense Reimbursement report was submitted timely,
- 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.

Conclusion:

In the beginning stages of testing it was noted that the Department Heads were not required to have their Travel and Expense Reimbursement reports and support approved by the City Administrator. For proper segregation of duties and for proper management oversight, all Department Heads who have Travel and

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Expense Reimbursement reports should have their reports and support approved by the City Administrator. Because the Department Heads were not required to obtain the City Administrators approval until this recommendation and new procedure was implemented, they will only be held accountable for approvals from the time the new changes were made.

The following exceptions were identified during testing:

- Travel and Expense Reimbursements reports and support were not submitted to the Finance Department within 10 days upon return,
- Travel and Expense Reimbursement reports did not have the proper support with explanations for the charges. Proper support missing were:
 1. itemized receipts (including names, title, and purpose for meals)
 2. agendas/training/meeting minutes
 3. attendance information
 4. maps for mileage claims
 5. receipts (i.e. hotel, luggage, fuel, food)
 6. reimbursements without explanations or memo attached
 7. mileage reimbursed did not tie to map mileage
 8. cell phone reimbursement
 9. meal reimbursement for days after the conference dates
 10. reimbursement for per-diem also charged on the City credit card
 11. expense report not attached to the travel advance reimbursement
- Claiming meals outside of travel times,
- Travel outside of the conference/training/meeting dates
- Per-diem for food and hotel over the allowable rate,
- Per-diem claimed when meals were provided by the conference/meeting/training without prior approval from the City Administrator and documented properly,
- Non-City expenses were reimbursed, i.e. snacks, waters, etc....
- Preferred seating, change seating charges
- Incentive pay (Convention Center – see memo for further explanation)
- Receipts not attached to show reimbursement to the City,
- Not all reimbursement reports could be located,
- Charges on credit card were also claimed as per-diem on reimbursement report,
- Not all agendas had the conference/training dates,
- Eight expense reports and support could not be located,
- Reimbursement report had money due to the City and was not reimbursed until a month later,
- Transportation expenses could not be validated

It was recommended that the Finance Department should be contacted with any questions, concerns, or to ensure the correct policies and procedures are being followed correctly. It was also recommended that all travel advances should be requested at least two weeks in advance to allow the Finance Department to process the check timely.

As noted from the credit card audit the Department Heads should follow the same process for approval. The Travel and Expense Reimbursement reports should be first submitted to the Finance Department to ensure all requirements have been met for reimbursement. Once reviewed it will be delivered to the Deputy City Administrator for approval and returned to the Finance Department for processing and payment.