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STAFF REPORT

BOARD MEETING DATE: December 13, 2016

DATE: November 14, 2016
TO: Board of County Commissioners
FROM: Alison A. Gordon, Internal Audit Manager
775-328-2064, agordon@washoecounty.us
THROUGH: John Slaughter, County Manager
SUBJECT: Acknowledge Receipt of the Travel Expense Audit Report from the Internal Audit Division (All Commission Districts)

SUMMARY

The Board of County Commissioners approved a performance audit of the County Travel Expenses during the September 13, 2016 board meeting. The audit involved assessing current practices, including compliance with laws, regulations, County code and other requirements, and testing the practices in place for travel expenses.

The results of the review indicated the administration of County Travel Expenses can be enhanced. For example:

County departments are not always complying with County travel regulations. We reviewed 184 claims for compliance with the County's requirement to submit a travel expense claim no later than 30 days after incurring travel. Nineteen of these claims or 10% of these claims were submitted between 15 and 383 days late. Of these, 16 claims included accounting for and reconciling a travel advance.

County departments need a system in place to track travel advances. During the audit, we noted there is no system in place where County travel advances are tracked whereby a post-trip travel claim would be triggered. In one instance, an \$812 travel advance was not reconciled to expenses incurred for over a year after the trip.

For the same 184 claims referenced above, we reviewed for compliance with per diem and incidental cost requirements. Twenty six instances were found where the \$5 incidental rate was broken down and added into meal reimbursements. One dollar was added to breakfast costs, one dollar was added to lunch costs and three dollars were added to dinner costs. Departments allocated these amounts based on an email received from the Comptroller's Office in 2009. However, this practice does not comply with

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Federal regulations which allow \$5 a day for fees and tips to porters, baggage carriers, and hotel staff.

Various other instances of noncompliance with County Code and federal regulations were noted. For example, the only time meals for the first and last day were reimbursed at 75% as required by federal regulations were when required by federal grants. Also, noted one employee was reimbursed for airfare prior to taking the trip. Other employees were incorrectly reimbursed for meals, and tips were paid without a receipt or other documentation. Several instances were also noted where employees were reimbursed without providing a travel claim form, reason for travel, only copies of receipts. Lastly, we found seven occurrences where travel advances were less than the \$40 travel advance requirement per County Code.

County ProCard policies and procedures need updating to reflect current practices of using ProCards for travel. Although the policies currently restrict using ProCards for most travel, it was noted for FY15 and FY16, ProCards travel related costs totaled about \$11K and \$13K respectively and included transportation, lodging, and meals/food costs. The Manager's Office is currently working with the District Attorney's office to revise the County Code pertaining to travel policies.

Division Strategic Objective supported by this item: To ensure County Operations are Administered Efficiently and Effectively

PREVIOUS ACTION

No previous action has been taken on this Board item.

BACKGROUND

County Code Chapter 5.351 through 5.395 establishes the County Travel Regulations. It is the department's responsibility to assure the seminar, conference or other meeting, is consistent with County policy, to determine if more than one individual should attend, determine if travel costs are within the travel account in the department's budget, and make appropriate adjustments to the budget to ensure sufficient funds are available in the department's travel account. In most instances all County employees are required to submit a travel request form, which if approved, will be forwarded to the Comptroller's Office. If the request involves a travel advance, the request should document the amount and reasons for the advance.

County Code allows for employees travel expenses to be reimbursed if the employee is traveling outside of Washoe County. This includes transportation costs, meals and incidentals, lodging, and certain miscellaneous expenses. When the employee returns from travel, these expenses are reported on a travel claim form, which is approved by the department and forwarded to the Comptroller's Office. The travel claim form also reconciles any travel advances received to the expenses incurred.

SCOPE AND METHODOLOGY

The scope of this audit included evaluating travel expenses incurred by the County for efficiency and effectiveness. It included assessing internal controls over and best practices for travel claims and advances. It also included reviewing for compliance with County policies, applicable NRS, and Purchasing Division inventory policies and procedures.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and covered periods through June 2016. Fieldwork was conducted between August 2016 and November 2016.

FISCAL IMPACT

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact and at this time, no funding source has been identified for any additional costs.

RECOMMENDATION

It is recommended the Board of County Commissioners acknowledge receipt of this audit report of Washoe County's Travel Expense.

POSSIBLE MOTION

Should the Board of County Commissioners acknowledge receipt of this audit report, a possible motion would be:

Move to acknowledge receipt of the Washoe County Travel Expense Audit Report from the Internal Audit Division.

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Attachments

WASHOE COUNTY



Washoe County Travel Expense Audit

November 14, 2016

Alison A. Gordon, CPA, CFE
Internal Audit Manager

Executive Summary



County departments need to comply with County Travel Regulations.

10 percent of the travel claims tested for compliance with the requirement to submit a claim for 30 days subsequent to travel were submitted after the 30 day requirement. (Pages 3 and 4)

County departments and employees are not following per diem and incidental cost requirements.

Numerous instances were found where the \$5 incidental rate was inappropriately computed and per diem was incorrectly reimbursed. (Page 4)

Other instances of non-compliance with County and Federal laws and regulations were noted.

One employee was reimbursed prior to taking the trip and other employees were reimbursed without providing a travel claim form or a reason for travel – only copies of receipts. (Pages 4 and 5)

A travel advance tracking system needs to be in place.

There is no system in place to track County travel advances whereby a post-trip claim would be triggered. Without such a system, the County risks not recouping excess travel advance monies. (Page 6)

County code states there will be no requests for travel advances less than \$40.

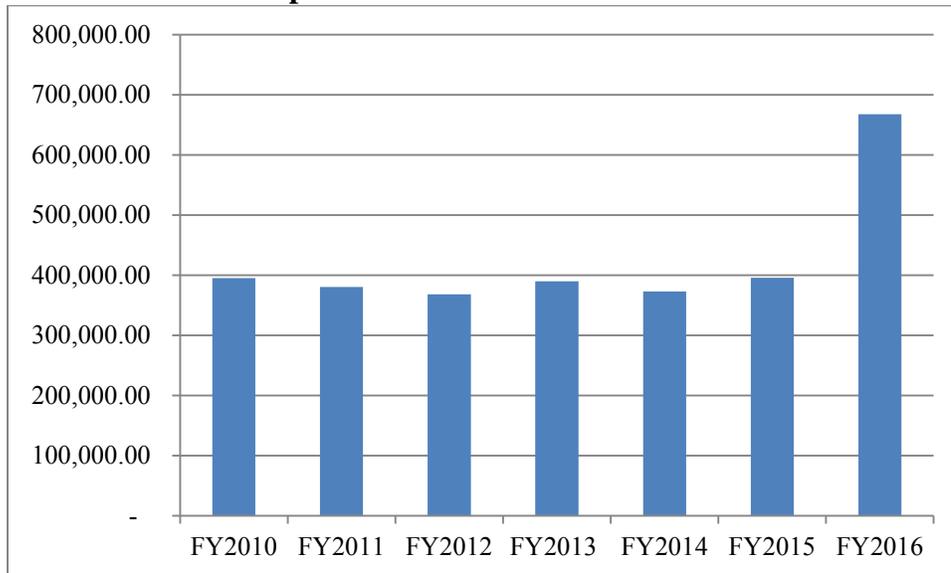
During FY16, seven instances were found where travel advances were less than \$40. These advances ranged between \$19 and \$36. (Page 6)

Observations and Recommendations

1. Travel Expense Costs

Travel expenses have been consistent over fiscal years 2010 through 2015. However, during fiscal year 2016, travel expenses increased substantially (69%) as demonstrated in Exhibit 1 below.

Exhibit I – Travel Expenses



One of the County’s strategic objectives is for a valued, engaged employee workforce. In FY16 travel budgets were increased in many departments to support this objective. Most of the travel expenses appeared to be a result of employee education and improving employee skills for performing their work. In FY16 almost all department travel expenses were within budget.

Recommendation: Not Applicable

2. Travel Claim Review

County Code, Section 5.353 states it is the policy of the Board of County Commissioners that travel is kept to an absolute minimum consistent with the efficient conduct of County business. County Code, Section 5.355 also allows for employees to travel by submitting proper documentation including a completed and approved travel request form, and requires employees to submit a travel claim. Per County Code, Section 5.375, travel claims must be submitted within 30 days of returning from a trip and must comply with per diem and incidental cost requirements.

Compliance with 30 Day Requirement

We selected a random sample of 65 travel reimbursement claims for employee travel as well as 119 travel reimbursement claims submitted that reconcile travel advance dollars to actual costs. These claims were tested for compliance with County code pertaining to compliance with the 30 day requirement to submit a travel reimbursement claim.

Nineteen or approximately 10% of the 184 travel claims reviewed were submitted late. The following was noted:

- Three or 5% of the 65 travel claims reviewed were submitted past the 30 day time requirement. One claim was three days late, one was 15 days late, and one was 70 days late.
- Sixteen or 13% of the 119 travel reimbursement claims submitted reconciling travel advances were late. For 12 reimbursement claims, where the advance was \$1K or more, the number of days late ranged between 3 and 134 days. For three of the travel advances less than \$1K, the claims were submitted between 9 and 65 days late. An additional employee, who received an \$812 travel advance, submitted a travel claim over a year late - 383 days.

Compliance with Per Diem and Incidental Cost Requirements.

For the same claims tested above, we reviewed for compliance with per diem and incidental cost requirements. County Code, Section 5.363 requires meals and incidental expenses be reimbursed at the per diem rates allowed by the Internal Revenue Service. The Federal Travel Regulations Section 300, Part 300-3 state that incidental expenses include “fees and tips given to porters, baggage carriers, hotel staff and staff on ships”. The incidental reimbursement rate is \$5 per day. County Code, Section 5.363 states when travel status is less than 24 hours, meals shall be reimbursed individually at the rates established by the federal General Services Administration excluding incidentals, which will not be reimbursed for partial days.

During the review of travel claim reimbursements we noted 26 instances where departments have broken down the \$5 incidental amount into \$1 for breakfast, \$1 for lunch, and \$3 for dinner. These amounts were then added into the meal reimbursement rates. The reason departments were using this practice was based on an email from the Comptroller’s Office Accounts Payable team dated October 13, 2009 informing departments to handle incidentals in this way. Moreover, when travel status is less than 24 hours, staff are being reimbursed for a portion of the incidental cost. However, this practice is not in compliance with federal General Services Administration Guidelines and County Code.

Federal travel regulations also require a 75% reimbursement of meals and incidentals on the first and last day of travel, which departments seemed to only comply with when federal grants were reimbursing travel costs. In addition, various other instances of noncompliance were noted including:

- One employee was reimbursed for airfare prior to the employee traveling. The flight was scheduled to leave May 31, 2016, returning June 4, 2016. However this employee was reimbursed for the airfare cost on April 29, 2016, more than a month prior to the actual travel. Also, no approved travel request was attached - only a payment voucher.
- One travel reimbursement request showed the employee started travel at 8AM but was paid for breakfast. County Code states if an employee leaves for travel after 7:30AM breakfast is not paid.
- Another reimbursement claim showed a four dollar tip was paid with no supporting documentation attached to the claim form. This employee also

received the \$5 incidental rate, which is paid to cover tips and fees, for each day of travel.

- One instance was noted where two people traveling were paid for breakfast on a day when the conference was providing breakfast. These two individuals were each paid \$12 for this breakfast and there was no justification provided for not taking advantage of the breakfast provided by the conference.
- One instance was noted where the employee was reimbursed for dinner even though the employee returned at 5PM. County Code states if employees return to the Reno–Sparks area prior to 6:30PM reimbursement for dinner will not be made.
- Two travel reimbursement claims did not include a claim form, reason or documentation supporting the expenses – only receipt copies.

By not ensuring compliance with County Code, the County is paying more for travel expenses than necessary and travel costs are not being kept to an absolute minimum.

Recommendations:

- 2.1 County management should stress the importance of complying with County Code Travel Regulations.
- 2.2 County management should remind employees that travel expenses claims are due 30 days after returning from travel, particularly in instances where a travel advance is given.
- 2.3 County departments should ensure employee travel claims comply with per diem and incidental cost requirements.

3. Travel Advances

As previously discussed, 13% of the travel reimbursement claims tested reconciling travel advances were late. Travel advances are approved by individual departments and paid by the Comptroller’s Office. However, there is no system in place that logs and tracks cash advances and triggers a post-trip travel claim.

Processing delays can have consequences including, in the case of travel advance reconciliations, tax implications for employees. Internal Revenue Service Publication 5137 states that if “an employee does not substantiate expenses or return excess advances timely, the advance is includible in wages and subject to income and employment taxes no later than the first payroll period following the end of a reasonable period”. As the County requires travel reimbursement claims to be submitted no later than 30 days after the last day of travel, this would be the first payroll period following the 30 day requirement.

Moreover, County Code, Section 5.31 states travel advances constitute a lien in favor of the County upon the accrued wages of an employee in an amount equal to the sum advanced. Therefore the County could potentially deduct the amount of the travel advance from an employee’s paycheck if a timely travel claim reconciling the travel advance is not received. However, without a system in place to track cash advances, such as a log, the County risks not recouping travel advance overpayments given to employees.

Travel Advances Less Than \$40

County Code Chapter 5.369 states “No request for advance travel money shall be made in an amount less than \$40”. Fiscal year 2016 travel advances were reviewed to determine if County departments were in compliance with this regulation. We found seven instances where travel advances were paid that were less than \$40. These advances ranged between \$19 and \$36 and primarily consisted of certain meal advances. These advances were issued even though the Permission to Travel form states “No advance funding shall be allocated for less than \$40”. Instead of receiving an advance, these employees should have filed an expense reimbursement request.

Although the staff time involved with processing a travel advance is not available, the cost of department staff time to prepare and approve the advance request, Comptroller staff time to process the request and process the payment, and the cost of the check more than likely exceeds the amount being advanced. Management may also want to consider increasing the \$40 limit to more adequately cover the costs involved.

Recommendations:

- 3.1 County departments should track all advances on a trip log, and,
- 3.2 The County departments and the Comptroller’s Office should ensure all cash advance dollar amounts are in accordance with County Code.
- 3.3 No travel advances should be given less than \$40.
- 3.4 County management should consider increasing the \$40 limit to ensure costs of issuing advance checks are covered.

4. Travel Using ProCards

The County ProCard policies need to be updated to reflect current practices for using ProCards pertaining to travel. The current ProCard policies and procedures are dated 03/09/2010, and prohibit the use of a ProCard to pay for travel expenses, except for emergency travel as authorized in County Code 5.357 and approved by the purchasing department. However, beginning in FY13, the County began using ProCards to pay for airline charges. Subsequent to FY13, it was noted that County departments started using ProCards to pay for hotel costs, and started including transportation costs such as taxi fees, rental car costs, airport parking and shuttle fees, and meals/food. In FY14, these types of costs pertained only to hotels and totaled about \$600. For FY15 and FY16, these types of costs totaled about \$11K and \$13K respectively and included various types of transportation costs and meals/food. At this time, these types of expenditures are not in compliance with the current ProCard policies and procedures.

The Manager’s Office is currently working with the District Attorney’s office to revise the County travel policies. In addition, the Comptroller’s Office has been working to update the ProCard policies and procedures pertaining to travel, but needs County management’s guidance on what types of travel expenses should be acceptable for ProCard use. Once County Code has been revised and this guidance is received, the ProCard policies and procedures should be updated and departments should be notified of the changes.

Recommendations:

- 4.1 County departments should comply with policies and procedures related to the use of ProCards for travel.
- 4.2 County management should provide guidance to the Comptroller's Office Purchasing Division on what types of travel expenses should be acceptable for ProCards.
- 4.3 Once guidance is received, County ProCard policies and procedures related to travel should be revised accordingly.
- 4.4 County departments should be notified of any changes to the ProCard policies and procedures related to travel.