



21-04

INTERNAL AUDIT REPORT

Travel Expenditures

June 2021

City of Sioux Falls Internal Audit Department
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Introduction

The Travel Expenditures Audit was included as an assurance audit on the 2020 Annual Audit Plan. The purpose of the audit was to evaluate employee travel expenses for the effectiveness of controls for reimbursement and compliance with City policy and procedures. Controls are intended to provide reasonable assurance, but cannot guarantee, that fraud & errors will not occur. The audit focuses on employee travel requests, travel expense claims, eligibility of travel expenses, substantiation of expenses, and controls to prevent fraud, waste and abuse as outlined in the City Travel Policy. This audit will not include an in depth review of travel card re-allocations, reconciliations or non-travel employee reimbursements.

Background

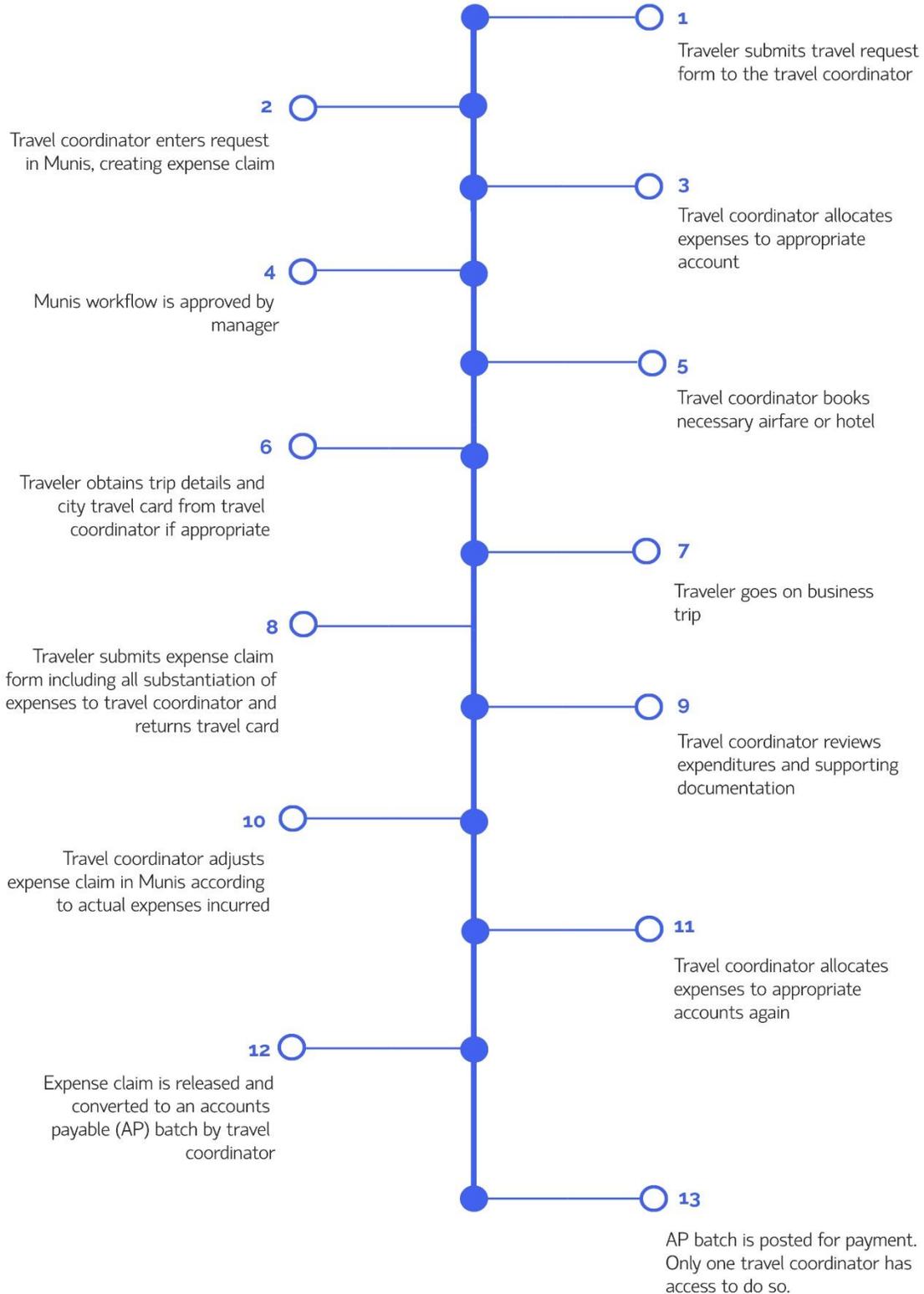
It is the City of Sioux Falls policy to reimburse or directly pay city employees for expenses incurred while traveling on City business. Examples of City business travel include conferences, training opportunities, meetings, events within the employee's job duties, workshops, and seminars, etc. The City of Sioux Falls Travel Policy, established by Executive Order No. 149 and revised in March 2019, provides a step-by-step guide for requesting and processing travel. The policy is structured to capture travel related expenses in three general categories: per diems paid directly to the employee for eligible meals, travel expenses reimbursed to the employee for eligible expenses, and eligible expenses purchased on the City Travel Card.

Once the need for a work-related trip has been identified, the traveler must complete a travel request form. These forms are typically filled out with the assistance of the travel coordinator to ensure accuracy and consistency. Per the City Travel Policy, the travel request form must be completed and submitted to the travel coordinator prior to travel. Next, the travel coordinator enters the travel request into the Expense Claim Module in Munis. An Expense Claim is generated and automatically pushed through the Munis Workflow system for pre-approval, typically by the traveler's supervisor or director. Travel Coordinators are responsible for booking airfare and lodging on approved trips through the Concur booking software. Any registration costs are purchased by the travel coordinator utilizing a city travel card at this time as well. Per the City Travel Policy, trips totaling at least \$3000 or including airfare require a travel justification form be completed and submitted.

At the time of travel, the traveler is typically provided a travel envelope with the city travel card, hotel/airfare confirmations, and simple instructions for use of the travel cards and receipts. Travelers are responsible for collecting receipts for all personal card and travel card expenses incurred. Upon returning from the trip, the traveler returns the travel card and all corresponding receipts in the envelope to the travel coordinator. It is the responsibility of the traveler to complete and submit a travel reimbursement claim form within 30 days from trip end in order to receive reimbursement per the City Travel Policy. The travel coordinator then reviews the submitted claim form and receipts, updating the expense claim in Munis to reflect the actual trip details and expenses. Finally, the travel coordinator converts the claim to an accounts payable (AP) batch. There is currently one travel coordinator who then posts all the travel claim AP batches for payment. See Figure 1 for a timeline of the process.

Figure 1. Travel Process Map

Travel Expenditures



As outlined in the Figure 1 process map, the primary responsibility for travel reimbursement functions rest with the travel coordinators. With the exception of trip pre-approvals conducted by the traveler's supervisor/director through the Munis workflow, all interfacing with the Munis expense claim module, processing trip details, and reviewing actual expenses incurred is conducted by the same travel coordinator. Travelers are primarily responsible for completing and submitting the travel request form prior to travel and the travel reimbursement claim form within 30 days of return date. However, per the City Travel Policy, it is the responsibility of the travel coordinator to follow-up with travelers upon returning from a trip to ensure the claim form is filed within the required timeline. Additionally, travelers must collect and submit their own receipts as documentation for all personal and city travel card expenses.

\$137,000 travel reimbursements paid directly to travelers

Directors have limited involvement with the travel reimbursement process with a few exceptions outlined in the City Travel Policy. In the rare instance a City vehicle is unavailable or authorization is obtained from the Director, individuals will be reimbursed at the current IRS rate per the City Travel Policy. Additionally, a cost comparison must be conducted for rental cars related to travel and then the associated costs must be pre-approved by the Director.

908 individual travel claims and 466 unique travelers city-wide

The primary two software systems utilized in the travel reimbursement process are the Munis Expense Claim module and Concur booking software. These two software systems are currently not integrated but rather function as stand-alone systems. The Concur booking software was outside the scope of this audit; however, Finance is considering implementing more functionality regarding travel reimbursements available through Concur in the future.

For the sample period April 1, 2019 through March 31, 2020, the City incurred approximately \$137,000 of travel and training related expenses reimbursed directly to travelers. Additionally, during that same time period about 908 individual travel claims were reimbursed. Of those 908 claims, there were 466 unique travelers demonstrating there is a fairly equal split between routine travelers and new travelers. 47% of the trips in the sample were in state travel while 53% of the trips were out of state.

During the sample period, approximately a grand total of \$1,065,882 in travel and training related expenses were incurred City wide. That total includes the amounts paid directly to the travelers mentioned above, expenses incurred on City Travel Cards, and other training related expenses that were not related to travel.

See Chart 1 below which shows travel and training related expenditures by the top four City departments over time.

Chart 1. Travel/Training Expenditures by Department

Department	2019 Q2	2019 Q3	2019 Q4	2020 Q1	Grand Total
Highways and Streets	\$13,214	\$14,358	\$32,283	\$25,127	\$84,982
Health	\$32,972	\$32,425	\$28,659	\$17,435	\$111,491
Fire	\$90,393	\$26,436	\$61,093	\$15,016	\$192,939
Police	\$63,168	\$44,284	\$43,158	\$59,707	\$210,317
Grand Total	\$199,747	\$117,502	\$165,194	\$117,285	\$599,728

Additionally, there were 131 active travel cards provided by the Finance Department at the beginning of this audit. There is a travel card point person in the Finance Department who also oversees the purchasing card program.

See Chart 2 for the number of travel cards organized by department groupings.

Chart 2. City Travel Cards by Department

Department	Number of Travel Cards
Affordable Housing	3
City Attorney Office	3
City Council	5
Facilities Management	2
Finance	4
Fire	18
Fleet	3
GIS	3
Health	6
Human Resources	2
Library	3
Light Department	3
Mayor	1
Multi-Media Support	1
Parks	5
Police	16
Public Parking	2
Highways & Streets	30
Technology	10
Urban Management	5
Water	3
Water Reclamation	3

That completes a general overview of the City Travel Expenditures Reimbursement practices, policy and procedure.

Objectives

- 1 Determine the effectiveness of controls for employee travel reimbursement and compliance with City policy and procedures, including whether travel reimbursements contained errors or instances of fraud.

Scope

The audit scope included a review of employee travel expenditures, current software roles and permissions, and policies and procedures as they are currently in place. The detailed testing of transactions covered the twelve-month period of April 1, 2019 through March 31, 2020. Our audit work included the following.

Methodology

To complete this audit, we performed the following steps:

- Review of written policies and procedures over the travel reimbursement process.
- Interviews with management and staff.
- Site visits with travel coordinators to observe travel reimbursement process.
- Review of other municipal travel reimbursement policies.
- Review of a sample of employee travel expense claims to determine if travel requests were completed timely and accurately, verified workflow approval was completed by a supervisor, verified eligibility of per diems paid, verified eligibility of expenses reimbursed to traveler, verified eligibility of travel card expenses, verified all required documentation was included, reviewed travel details were accurately entered in Munis, and verified reimbursement claim forms were completed accurately and timely.
- For the same sample of employee travel expense claims, the segregation of duties was reviewed to ensure the traveler did not enter their own expense claim and to verify if the same travel coordinator both entered the claim and posted the AP batch.
- Review of all non-travel expense claims paid to employees for the selected sample time period to ensure travel reimbursement expenses paid through the Munis Expense claim module were not double paid directly to the traveler.
- Additionally, bank statements from JP Morgan for the sample time frame were reviewed to verify travel expense claim transactions corresponded to the travel card bank statement.
- Review of Munis system access to verify access is limited to only those employees who require it to complete their job duties.
- Review of Merchant Category Codes (MCC) restricted through JP Morgan website to ensure only travel related expenses are available for purchase on City Travel Cards.

Results

City Travel Policy and Procedure Implementation

About 908 travel expense claims were reimbursed during the sample period from April 1, 2019 through March 31, 2020. Those claims totaled approximately \$137,000 reimbursed directly to travelers, not including expenses incurred on the City Travel cards. Forty random travel expense claims were selected from the sample time period for testing. Twenty-six (65%) of the 40 travel expense reimbursements reviewed by the Audit staff were not processed in compliance with the City Travel Policy and the Employee Expense Process procedure. Even though the dollar amount of these exceptions (\$6.50 of overpayments) was not material to the overall City budget for travel and training related expenses, the percentage of errors found in the sample was concerning to the Audit team. These errors occurred as a result of failing to follow established City Policy and procedure, lack of a secondary reviewer in the expense claim process, lack of segregation of duties, ambiguous or unclear policy language and insufficient training. All claims were for official City business including conferences, trainings, workshops and meetings. No evidence of fraud, waste or abuse was detected.

The following audit findings were noted during our review of the travel expense claims as they relate to implementation of the established City Travel Policy and Procedure.

Finding 1

Travel Expense Reimbursement Claim processed without a Travel Request Form.

Travel Request Forms are required per the City Travel Policy in order to receive travel reimbursement for trips related to job duties or functions. Those travel request forms must be submitted to the Travel Coordinator prior to travelling and attached by the travel coordinator to the expense claim in Munis. Per the City Travel Policy, "A Travel Request Form is required for travel outside city limits only if there is an expense to the City... This form is the initial step for authority to travel and must be submitted to the Travel Coordinator prior to travelling." Testing was done by verifying if a travel request form was attached to the expense claim module in Munis at the time of reimbursement.

During testing, the Audit team found an instance of a travel reimbursement claim without a travel request form attached at the time it was processed and paid. This finding was a result of not following the required procedures established in the City Travel Policy requiring the travel request form prior to travel occurring. Processing and paying travel reimbursements without required documentation, approvals and substantiation of expenses could result in fraud, waste or abuse.

See Recommendation 1 below.

Finding 2

Ineligible per diems paid to traveler resulting in overpayment.

The City Travel Policy outlines specific parameters for per diem meal eligibility based upon start and end times for the trip. A travel request form is completed and approved to estimate the eligible per diems, then upon returning from the trip, a travel reimbursement claim form is completed with the actual trip start and end times as well as the finalized eligible per diems to be paid.

The Policy also provides additional eligibility requirements, stating, "Travelers will not claim meals for reimbursement that were provided as part of the conference or otherwise received by them at no personal expense as may be provided by any other person or entity." Additionally, the Employee Expense Process procedure document requires that travel coordinators update the actual trip details and eligible per diems per the travel reimbursement claim form before processing payment. Testing was done by comparing the travel request form, travel reimbursement claim form, and actual trip start/end times against the per diems paid to traveler (with the City Travel Policy meal reimbursement times utilized to determine eligibility of per diems).

In 11/40 (or 27.5%) of the claims tested, the times of the trip were not updated in the Munis expense claim from the estimated travel request to the actuals submitted in the travel reimbursement claim form. In 1/40 claims tested, the traveler was overpaid for per diems due to the travel coordinator not accurately updating the actual times and eligible meals from the original estimated figures in the travel request. This manual data entry and review error resulted in an over-payment to the traveler of \$6.50 which was immaterial to the overall City budget.

The instance of over-payment found during testing was caused by a failure to comply with the Employee Expense Process procedure document provided to travel coordinators. There is a potential for larger more substantial errors if not remediated which could be material to the City budget.

See Recommendations 1 and 2 below.

Finding 3

Travel reimbursements processed without a travel reimbursement claim form.

Travel reimbursement claim forms are required by the City Travel Policy to process expense reimbursement to travelers. A travel request form must be completed prior to travel. The travel reimbursement claim form is completed and signed by the traveler upon return and prior to receiving reimbursement.

The City Travel Policy states "A Travel Reimbursement Claim Form must be completed and filed with the traveler's designated Travel Coordinator within thirty (30) days from the travel end date." Additionally, the Employee Expense Process procedure document states, "Once Employee has returned from their travel, a Travel Reimbursement form must be completed by the employee." That claim form along with all receipts and supporting documentation must be attached to the expense claim in Munis. Testing was conducted by verifying if a travel reimbursement claim form was attached to the expense claim in Munis at the time of reimbursement. In 3/40 (or 7.5%) of claims, a travel reimbursement claim form was not attached as required by policy and procedure.

The cause of this finding was failure to comply with the City Travel Policy and Employee Expense Process procedure requiring a signed travel reimbursement claim form be completed and attached to the expense claim in Munis prior to reimbursement. This results in an inability to verify eligibility of expenses including per diems, personal card expenses and City Travel Card expenses. The missing claim form creates an opportunity for fraud or over-payment of ineligible expenses. The claim form also includes a signature from the traveler and a statement attesting to the validity and accuracy of the reimbursement details. There is a greater opportunity for fraud waste and abuse if the required form is not completed and signed by the traveler.

See Recommendations 1 and 2 below.

Finding 4

Reimbursement of a tip over 15%.

The City Travel Policy dictates the maximum percentage allowable for tip reimbursement. The Policy states, "The City shall reimburse for tips up to 15 percent." Testing was conducted by calculating the percentage of tip reimbursed on claims when reviewing receipts attached in Munis. In 2/40 (or 5%) of claims tested in the sample, a tip was reimbursed for over 15%. Both instances found were reimbursement for Lyft Rideshare services, one tip was reimbursed at 27% and the other at 20%. It should also be noted one of the instances the expense was reimbursed directly to the traveler while the other was incurred on the City Travel Card.

This issue was caused by a failure to comply with the City Travel policy dictating the maximum allowable tip percentage. The effect is an over-payment to the traveler and an inappropriate use of City funds as set out in the City Travel Policy.

See Recommendations 1, 2, and 3 below.

Finding 5

Expense Claim missing required receipts.

The City Travel Policy and Employee Expense Process procedure require that expenses incurred on a personal card or City Travel Card must have a receipt submitted with the travel reimbursement claim form. If a receipt is not available or missing, a signed perjury statement must be completed and submitted in its place.

The City Travel Policy states, "A Travel Reimbursement Claim Form must be completed and filed with the traveler's designated Travel Coordinator within thirty (30) days from the travel end date. The form must include all receipts for items paid using the City travel cards and items paid on personal card (cash or credit card) if reimbursement is needed." The Employee Expense Process procedure requires, "All receipts, whether paid by travel card or on personal credit card if they would like to be reimbursed for an expense must be attached to the Reimbursement form." Testing was conducted by reviewing travel request forms, travel reimbursement claim forms and receipts attached in Munis.

In 11/40 (or 27.5%) of claims tested, there were missing receipts/documentation at the time of reimbursement required to substantiate either personal card transactions or City Travel Card transactions. A perjury statement was also not included in place of the missing receipts. The Finance team was able to locate some of the receipts after testing was complete; however, the procedure document requires receipts be attached to the expense reimbursement claim form. Additionally, the Claim form must be submitted prior to reimbursement.

This finding was caused by a failure to comply with City Travel Policy and the Employee Expense Process procedure resulting in an inability to verify if the expenses were accurate, reasonable and eligible under the City Travel Policy guidelines, creating an opportunity for fraud, waste and abuse.

See Recommendations 1 and 2 below.

Finding 6

Travel card expenses on the informational expenses tab in Munis were not updated and moved to the actual expenses column per the Employee Expense Process Procedure.

The Employee Expense Process dictates that estimated expenses be updated based upon the travel reimbursement claim form and entered into the actuals column in Munis under the Informational Expenses tab.

The Employee Expense Process procedure document states, "Click 'Accept' to bring you to the 'Informational Expenses' tab. Enter the Actual cost for the items that were put on the City's Travel Credit Card." Testing was done by verifying reimbursement amounts entered in the actuals column on the Informational Expenses tab in the Munis Expense claim module and validating against the Travel Reimbursement claim form attached in Munis. The Munis software underwent an upgrade in September of 2019, making the estimated and actual columns available on the informational expenses tab. Prior to that upgrade, only a "comments" section was live in the software. For this reason, claims with errors in the estimated versus actuals columns on the informational expenses tabs prior to September 2019 were disregarded. In 3/40 (or 7.5%) of claims, the travel card expenses on the informational expenses tab in Munis were not updated and moved to the actual expenses column.

This finding was caused by a failure to comply with the Employee Expense Process procedure. The City Travel Policy is intended to reimburse for actual trip expenses incurred on personal cards or City Travel cards. If actual reimbursement amounts are not updated in the Munis Expense claims module, it is not possible to tell if those expenses have been reviewed and verified as valid charges in accordance with the City Travel Policy. Unverified expenses create an opportunity for fraud, waste and abuse. Additionally, delays in reviewing expenses could result in challenges correcting any issues found.

See Recommendation 2 below.

Finding 7

Missing travel justification form.

The City Travel Policy requires a travel justification form anytime air travel is involved in a travel request. Additionally, the travel justification form is required when the total of the travel costs is \$3,000 or more.

The City Travel Policy states, "A Travel Justification Form (Attachment C) must be attached when airline travel is involved." This was tested by reviewing the travel request form, travel reimbursement claim form, and receipts attached in the Munis Expense claim module. In 1/40 claims tested, the claim involved airfare but did not include a travel justification form.

This finding was caused by a failure to comply with the City Travel Policy. The travel justification form is meant to justify employee trips which will incur significant costs to the city to ensure the relevance to the employee's job duties, need to travel to obtain the necessary training, appropriateness of the individual travelling and return on investment.

Failure to complete this travel justification eliminates that additional justification review process and impairs the City's ability to evaluate larger expense trips.

See Recommendation 2 below.

City Travel Policy Language

Clear and concise travel policy and procedure language is necessary to ensure consistent, accurate and appropriate implementation of the intended policies and procedures. The development and use of written procedures are important to a successful quality control system. Additionally, unclear guidelines greatly increase the risk of errors. It is best practice to encourage development of unambiguous standard operating procedures to ensure travel coordinators can process expense reimbursement claims consistently. Revising the unclear and ambiguous findings noted in this section would aid in improving the accuracy and compliance of travel reimbursement claims processed.

The following audit findings were noted during our review of the City Travel Policy Language and testing of the sampled 40 travel expense claims.

Finding 8

City Travel Policy does not explicitly state that itemized receipts are required for expense reimbursement.

It is best practice to prevent fraud, waste and abuse and also ensure compliance with the City Travel Policy to require itemized receipts for travel reimbursement. There is currently no mention of itemization or a description as to what types of receipts are required in the City Travel Policy.

The City Travel Policy is designed to "provide a set-by-step guide for requesting and processing travel" for employees traveling on official city business to perform their job duties. The Policy also states, "Authorized individual(s) are responsible for reviewing all receipts to ensure that charges are accurate and reasonable. Reimbursement will not be made for expenses incurred in violation of the policy or without prior management approval. This policy applies to employees, board and commission members, and any other individual authorized to travel for the City." To ensure that charges are "accurate and reasonable" as the Policy states, receipts must be itemized and provide enough detail to ensure the character of the expense, details of expense and time and date of the transaction are in accordance with the approved travel request. Testing was conducted by reviewing travel request

forms, travel reimbursement claim forms and actual expense receipts attached in Munis.

In 1/40 claims tested, an expense was reimbursed from a non-itemized receipt that lacked enough detail to verify the details of the expense. This specific claim included reimbursement for a handwritten cash tip, not following industry best practices for itemized receipts.

The cause of this finding is a lack of specific requirements for detailed receipts in the City Travel Policy. This ambiguity in Policy language results in various different interpretations by travel coordinators and travelers as to what level of detail is required in a receipt. It is best practice to require itemized receipts that detail the time, date, character and specifics of the expense to prevent fraud, waste and abuse in travel reimbursements and ensure compliance with the City Travel Policy.

See recommendation 4 below.

Finding 9

Unable to verify compliance with the City Travel Policy requiring Travel Reimbursement Claim Forms be completed/filed in 30 days from travel end date.

City Travel Policy mandates that travelers have 30 days upon returning from travel to submit the Travel Reimbursement claim form. However, the Travel Reimbursement claim form currently requires a signature from the traveler but not a date to track compliance with City Policy.

The City Travel Policy states, "A Travel Reimbursement Claim Form must be completed and filed with the traveler's designated Travel Coordinator within thirty (30) days from the travel end date." Because the travel reimbursement claim form does not require a date from the traveler, testing had to be done by verifying the date the travel coordinator attached the travel reimbursement claim to the expense claim module in Munis. This is not best practice because we were unable to verify the date the traveler filed the form to measure compliance with the City Travel Policy.

100% or all 40 of the travel expense claims tested did not include a date the traveler signed and submitted the form. The travel reimbursement claim form does not currently have a line to provide the submitted date.

This finding was caused by the Travel Reimbursement Claim form not requiring a "submitted" date be filled in by the traveler. The consequence of not requiring a "submitted" date on the claim form is that the City is unable to track compliance with the City Travel Policy. There is potential for the submitted travel

reimbursement claim form to be misplaced or in a backlog with the travel coordinator, resulting in the appearance of non-compliance with the City Travel Policy even if the traveler submitted the form on time. Travel Reimbursements not submitted in a timely manner have potential to eventually be characterized as taxable income to the traveler per the IRS Publication 463, so it is imperative compliance with City Travel Policy is accurately tracked and communicated to travelers.

See recommendation 5 below.

Segregation of Duties

Proper segregation of duties in line with best practices ensures accuracy and compliance while acting to prevent fraud, waste, and abuse. In order to follow best practices, expense claims should be reviewed by an individual other than the travel coordinator entering the actual expenses. Additionally, the same individual should not enter/review the travel expense claim and also post the AP batch for payment. The current practice includes a pre-approval through the Munis workflow in which the travel coordinator enters the estimated travel request details which are then pushed to the supervisor for pre-approval. However, the same travel coordinator then reviews the expenses incurred, updates those expenses in Munis and converts the expense claim to an AP batch for payment. There is one travel coordinator who currently has access to post all the travel related AP batches for payment. The supervisor does not review the actual expenses incurred nor does the travel coordinator who posts the AP batches for payment. This practice lacks a secondary reviewer and also creates instances when the travel coordinator responsible for updating actual expenses also posts those same AP batches for payment.

The following audit finding was noted during our review of the Segregation of Duties in the selected testing sample.

Finding 10

Lack of segregation of duties and consistent process to prevent fraud and errors in travel expense reimbursements.

The travel reimbursement processing guide provided to travel coordinators states the same travel coordinator should enter the claim and also review the actual expenses. Additionally, because only one travel coordinator is responsible for posting all travel claim AP batches, there are instances when the same travel coordinator processes the expense claim and posts the AP batch for payment. This is not best practice to prevent fraud, waste and abuse even though no instances of fraud were found in this sample. The trip is pre-approved by the supervisor; however, there is no check on the manual data entry. The Travel Coordinator (TC) verifies the actual expenses/receipts and then the AP batch is posted for payment without further review.

In 8/40 (20%) of the claims tested, the accounts payable batch was posted by the same travel coordinator who entered the claim in Munis. The current Employee Expense Procedure does not provide any directions regarding segregation of duties for posting the accounts payable batch. The Procedure document also directs the same travel coordinator to both enter the expense claim details in Munis and also review the actual trip expenses/details. It should be noted that in the sample tested, only 14/40 or 35% of the expense claims tested were entirely error free. Due to this high error rate, the Audit Team concluded that the act of having a separate travel coordinator post the accounts payable batch is not currently resulting in the necessary additional review and verification of expenses to ensure compliance with the Policy.

The cause of this finding is current procedure documented in the Employee Expense Process not incorporating best practices for segregation of duties. The trip is pre-approved by the supervisor; however, there is no check on the manual data entry. There are also instances when the expense claim is processed by the same individual who posts the AP batch.

This is not best practice to prevent fraud, waste and abuse even though no instances of fraud were found in this sample. Having the same individual enter the claim, review the actual expenses incurred and post the batch for payment creates an opportunity for fraud and errors as does the lack of a secondary reviewer in the process.

See recommendations 6 and 1 below.

Recommendations and Management Response

1

We recommend that Management create a final review step conducted by an individual other than the travel coordinator entering/processing the claim. This review should be completed prior to posting the AP batch. Currently, there is no secondary reviewer resulting in manual data entry issues, missing required documentation, and non-compliance with the City Travel Policy creating an opportunity for fraud.

Management's Response:

Currently, travel coordinators serve the role of reviewing and processing travel requests and travel reimbursement claims submitted by the traveler. During this manual entry into the financial system, errors can occur. The travel coordinators have been trained on the required steps to process and review a claim and the travel policy. Department managers will continue to review and approve travel requests. Finance recognizes that internal controls should reflect the level of risk involved in transactions. Reimbursements to an employee for travel average around \$150, and the overall risk for fraud is quite low. However, Finance recognizes that quality control errors are occurring based on the results of this internal audit. A refresher group training for all travel coordinators will be completed by September 1, 2021. Effective immediately and for three months past the refresher training, all travel reimbursement request will be secondarily reviewed by Finance prior to processing the claim. Going forward, all new travel coordinators will have reimbursement requests reviewed for three months post individual training. Thereafter, Finance will complete random secondary reviews of travel reimbursements of not less than 5 per month.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

2

We recommend that management provide a refresher training to travel coordinators on how to process travel reimbursement claims annually.

Management's Response:

Travel coordinator yearly training was last done December of 2018. In November 2018 new travel coordinators began helping with Travel. We trained those individuals separately. We will resume yearly refresher training for all travel coordinators which will be completed by September 1, 2021. Group travel coordinator training will be completed annually thereafter.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

3

We recommend a separate policy be written and implemented to provide direction on reimbursements paid directly to employees while not in travel status (what expenses are eligible, when are tips eligible, and what is the appropriate process/procedure for non-travel employee expense reimbursement). The section describing allowable tips in the City Travel Policy on page 8 does not identify specifically what types of expenses are allowable and provides no additional details. This section of the policy is also meant to provide direction on tips reimbursed directly to employees who are not on a trip and not traveling outside the city.

Management's Response:

The current travel policy will be updated to specify what tips are eligible for reimbursement and Finance will also evaluate adjusting the policy for tipping maximums to reflect current market expectations. A separate employee expense reimbursement policy is currently being written to provide direction on allowable expenses for non-travel related employee reimbursements. It will be implemented by end of year 2021.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

4

We recommend City Travel Policy should be amended to explicitly state that reimbursement for expenses incurred on a personal card or city travel card require an itemized receipt that details the date/time the expense was incurred and details of the expense to a level of detail that allows the city to ensure the character of the expense was work-related.

Management's Response:

The current travel policy will be updated to clarify that an itemized receipt is necessary for reimbursement. The requirements of that receipt will follow the documentation requirements stated in the current accounts payable policy.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

5

We recommend management amend the Travel Reimbursement Claim form to create a required "submitted to travel coordinator date" field next to the traveler's signature certifying the expenses.

Management's Response:

The current travel reimbursement claim form will be updated to include a date of submission.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

6

We recommend the individual who posts the AP batch be a different individual than the person processing and entering the expense claim details in Munis. This individual posting the batch could be the same individual who conducts a final review of the claim details to verify accuracy and eligibility (as described in Recommendation #1). This will ensure proper segregation of duties, following best practices fraud for prevention.

Management's Response:

Currently, travel coordinators serve the role of reviewing and processing travel requests and travel reimbursement claims submitted by the traveler. During this manual entry into the financial system, errors can occur. The travel coordinators have been trained on the required steps to process and review a claim and the travel policy. Department managers will continue to review and approve travel requests. Finance will continue to post the AP batches of the travel coordinators for employee reimbursements.

For the one travel coordinator in Finance, another AP team member will post those batches.

Finance recognizes that internal controls should reflect the level of risk involved in transactions. Reimbursements to an employee for travel average around \$150, and the overall risk for fraud is quite low. However, Finance recognizes that quality control errors are occurring based on the results of this internal audit. A refresher group training for all travel coordinators will be completed by September 1, 2021. Effective immediately and for three months past the refresher training, all travel reimbursement request will be secondarily reviewed by Finance prior to processing the claim. Going forward, all new travel coordinators will have reimbursement requests reviewed for three months post individual training. Thereafter, Finance will complete random secondary reviews of travel reimbursements of not less than 5 per month.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

Opportunities

1 We recommend amending the current travel request form to include a signature and "submitted" date to be completed by the traveler or travel coordinator. Adding these two elements would allow for tracking when the request is submitted to ensure compliance with the City Travel Policy and improve record keeping. The traveler signature would ensure they are aware of all anticipated costs and facilitate accountability on the part of the traveler. Additionally, the current travel request form states that the Mayor must sign if the total is over \$1000. If this is no longer an active practice required by the Mayor's office it should be removed from the travel request form.

Management's Response:

The current travel request form will be updated to include a date of submission and signature line for the traveler. Finance will explore the functionality of the Concur software to further automate the travel process.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

2 To ensure accuracy and reasonability in line with best practices, we recommend amending the City Travel Policy to also require an online map screenshot including total mileage amounts to either compare the odometer readings to or in place of the odometer readings for personal mileage reimbursement. It is recommended the City Travel Policy is updated to reflect this to prevent fraud, waste and abuse.

Management's Response:

Finance is currently exploring the functionality of the Concur software system to track personal mileage. This automated system will seamlessly track mileage and allow the employee to submit for reimbursement electronically. Anticipated implementation by early 2022.

Management Representative Responding: Janelle Zerr

Date of expected implementation: April 30, 2022

3 We recommend amending the City Travel Policy language so that it states, "One baggage fee is allowable and payable by the City. Additional baggage fees are eligible for reimbursement if required by the employee to perform their designated job duties and pre-authorized prior to travel." There are instances when City Personnel are required to travel on City business and pay for more than one piece of checked baggage in order to fulfill their job duties, for example firefighters. The current policy makes it difficult for those employees to fulfill their job duties while also maintaining compliance with the City Travel Policy.

Management's Response:

The current travel policy will be updated to include language that allows for reimbursement for more than one piece of baggage for approved situations.

Management Representative Responding: Janelle Zerr

Date of expected implementation: September 1, 2021

Conclusion

In conclusion, we determined that adequate controls exist over the travel requests and pre-authorization for travel portions of the travel reimbursement process that is overseen by the City's Finance Department. However, only 35% of tested travel reimbursement claims were error free and in compliance with City Policy and Procedure. Even though the total dollar amount of these exceptions (\$6.50) was immaterial to the overall City budget for travel and training related expenses, the percentage of errors found was concerning to the Audit team. These errors occurred as a result of unclear policy and procedure guidelines, lack of secondary reviewer, insufficient training, and lack of segregation of duties. The above recommendations will provide additional assurance to mitigate the risk of potential fraud in regard to travel expense reimbursements. No evidence of fraud, waste or abuse was detected. We would like to thank the Finance Department for their assistance provided during this audit.

Authorization

The Sioux Falls City Council approved this audit by resolution and was included as an Assurance Audit in the 2020 Annual Audit Plan. The Internal Audit Division operates under the authority of Sections 32.010 through 32.025 of the Sioux Falls Code of Ordinances.

Audit Standards

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

Statement of Independence

Internal Audit administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per Section 32.022 of the Code of Ordinances of Sioux Falls, SD.

Distribution of Report

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

Performed By

Emily Newell
Internal Auditor