

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) recently completed an examination of employee travel expenses. The purpose of this review was to determine the extent of compliance with the policy and procedures established in the City's administrative regulations. We noted the following findings that require management attention.

- ◆ OPI noted that travel expense statements do not always document required authorizations prior to the commencement and subsequent to the completion of travel.
- ◆ OPI noted that employees frequently submit travel expense statements after the 30 day period required by policy.
- ◆ Of the 104 travel expense statements examined that involved travel to conferences or training programs, OPI noted that 65 of them or 63% did not include materials describing the programs. City Administrative Regulation 5-1 requires employees to submit descriptive material so that departments and the Bureau of Accounting can validate claimed expenses.
- ◆ OPI noted that some employees claim per diem meal expense reimbursement when conference or training program fees include those meals. City policy prohibits this.
- ◆ Of the 36 vouchers involving travel in New York State, OPI noted that 9 of them included reimbursement for New York State sales tax.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

OPI routinely examines systems and cash collection and payment processes as well as compliance with established policies. We performed the last review of City travel in December 2000.

B. Background

Administrative Regulation 5-1, Employee Travel Expenses, sets specific guidelines for employees to follow when traveling on City business. These guidelines cover all aspects of the travel process from completion of Travel Authorization-Expense Statements (for travel outside the Monroe County area), to the types of reimbursable allowances for expenses

incurred by employees and the documentation required to substantiate claimed expenses. The Bureaus of Accounting and Treasury process travel documents and prepare cash advances, if necessary.

Upon returning from travel, an employee has 30 days to complete the actual expense portion of the Travel Authorization-Expense Statement, attach all necessary receipts and submit it to the Bureau of Accounting for final review. For cash advances, the employee is responsible for submitting any unexpended funds to the Bureau of Treasury.

Primary responsibility for ensuring employee compliance with travel policies is at the departmental level while the Bureau of Accounting provides a final review. In the period of January 1, 2010 through August 31, 2010 the City paid \$121,859 for 179 travel expense statements.

C. Objectives and Scope

The objectives of the review are to determine if travel expenditures are made in compliance with the policies and procedures established in Administrative Regulation 5-1, Employee Travel Expenses. OPI selected a random sample of Travel Authorization-Expense Statements paid during the period January 1, 2010 through August 31, 2010 for detail examination. We selected 111 expense statements from this period for detail testing.

OPI examined all Travel Authorization-Expense Statements in the selected sample for proper authorizations, compliance with per diem meal allowances, the reasonableness of tips, submission and verification of required receipts, and timely process of the travel reimbursement steps from initial preparation of the travel authorization document to the payment of the expenses incurred by the employee or the deposit of the overpaid advance returned to the City. We also determined whether employees took advantage of offered discounts, the New York State sales tax exemption, and other required guidelines established in the Administrative Regulation.

The following table summarizes the travel expense statements in this period, including those selected for detail testing:

**Summary of Travel Expense Statements
January 1, 2010 through August 31, 2010**

<u>Department</u>	<u>Total Number of Expense Statements</u>	<u>Amount of Travel Advances</u>	<u>Expense Statements Examined</u>	<u>Amount of Travel Expenses Examined</u>
BHRM	10	\$ 2,377	7	\$ 1,543
City Clerk/Council	13	15,768	7	7,642
DES	15	11,860	10	5,384
DRYS	13	6,315	5	3,377
ECD/911	11	10,529	5	7,035
Finance	2	1,689	2	1,827
Fire	26	13,246	15	8,233
IT	1	246	1	246
Library	11	4,852	9	4,214
Mayor's	6	7,835	3	1,786
OMB/311	4	2,420	3	2,001
OPI	2	2,636	2	2,598
NBD	17	13,412	11	10,313
Police	<u>48</u>	<u>28,674</u>	<u>31</u>	<u>16,686</u>
	<u>179</u>	<u>\$121,859</u>	<u>111</u>	<u>\$72,885</u>

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of this review indicate that, in general, internal control procedures over City travel are adequate and, travel expenditures are made in accordance with the policies and procedures established in the Administrative Regulations. However, we noted several findings that require management attention to ensure compliance with policies and procedures. The following table summarizes these findings by department:

**Review of City Travel Expenses
Summary of Findings**

<u>Department</u>	<u>Travel Expense Statements Examined</u>	<u>Required Authorizations Not Obtained</u>	<u>Delinquently Submitted Final Travel Statements</u>	<u>Program Material Not Submitted</u>	<u>Reimbursed Meals Included in Registration Fees</u>	<u>New York State Sales Tax Paid</u>
BHRM	7		3	3		
City Council	7		2	5	7	
DES	10	3	3	2	3	4
DRYS	5	1	3	3	4	2
ECD/911	5		1	4	4	
Finance	2			2		
Fire	15	1	6	8	2	
IT	1					
Library	9		1	9		
Mayor's Office	3		2	2		
OMB/311	3			1	1	
OPI	2	1				
NBD	11	1	5	8	1	
Police	<u>31</u>	<u>1</u>	<u>2</u>	<u>18</u>	<u>3</u>	<u>3</u>
	<u>111</u>	<u>8</u>	<u>28</u>	<u>65</u>	<u>25</u>	<u>9</u>

A. Required Authorizations Not Always Obtained

Administrative Regulation 5-1, Employee Travel Expenses, requires specific authorizations on travel expense statements prior to travel for City business, prior to obtaining cash advances, and subsequent to travel to certify employee expenses. Supervisors should properly perform and

document their review and authorization of travel and expense certifications on the travel authorization statements to ensure adequate control.

Of the 111 travel expense statements examined, OPI noted 8 instances, on 7 vouchers, of insufficient supervisory and departmental authorizations on the authorization for cash advance section or the certification of expenditures section of the documents. The following table summarizes these missing authorizations by department.

Review of City Travel Expenses
Summary of Improperly Authorized Travel Vouchers

<u>Department</u>	<u>Expense Statements Examined</u>	<u>Authorization for Cash Advance Absent</u>	<u>Authorization of Expense Certification Absent</u>	
		<u>Accounting Approval</u>	<u>Employee Signature</u>	<u>Dept. Head Approval</u>
Admin/BHRM	7			
City Clerk/Council	7			
DES	10	1	1	1
DRYS	5			1
ECD/911	5			
Finance	2			
Fire	15			1
IT	1			
Library	9			
Mayor's Office	3			
OMB/311	3			
OPI	2			1
NBD	11	1		
Police	<u>31</u>	<u>1</u>	<u>1</u>	<u>4</u>
	<u>111</u>	<u>3</u>	<u>1</u>	<u>4</u>

◆ **Recommendation**

All departments should ensure compliance with required policies established in Administrative Regulation 5-1 pertaining to obtaining appropriate supervisory and departmental authorizations. Bureau of Accounting personnel should review all travel vouchers for proper authorization and return travel vouchers to originating departments if the departments have not documented the required authorizations.

B. Untimely Submission of Actual Expenditures

City policy requires that employees complete and submit a Travel Authorization - Expense Statement within 30 days of returning from travel.

This statement requires the documentation of the necessary authorizations to travel, the estimated expenses, the actual expenses incurred during travel, and the amount of money that is due the City or the employee.

OPI examined all travel expense statements in our sample selection to determine the timeliness of employee submission of these documents. Of the 111 travel statements examined by OPI, employees submitted 77 within 30 days of post travel as required by City policy. The post travel return date submission could not be determined on 6 of the statements. Employees submitted the remaining 28 travel statements subsequent to the required 30 day submission period including one travel expense statement submitted more than 120 days after the employee completed travel.

Submission of expense statements within 30 days after travel completion is important so that the Department of Finance can properly recognize the related expenses and accurately account for cash advances. Employees should return any cash advance due the City in a timely manner and as prescribed by policy.

The following table summarizes time taken for employees to submit travel expense statements:

Review of City Travel Expense Statements
Analysis of Time Taken to Submit Final Expenses to Accounting

Days Taken to Submit Final Expenses to Accounting

<u>Department</u>	<u>Expense Statements Examined</u>	<u>Within 30 Days Post Travel</u>	<u>31 - 60 Days Post Travel</u>	<u>61-90 Days Post Travel</u>	<u>91-120 Days Post Travel</u>	<u>Over 120 Days Post Travel</u>	<u>Could Not Be Determined</u>
Admin/BHRM	7	4	1	2			
City Clerk/Council	7	5		2			
DES	10	6	3				1
DRYS	5	2		3			
ECD/911	5	4	1				
Finance	2	2					
Fire	15	8	5		1		1
IT	1	1					
Library	9	8	1				
Mayor's Office	3		1			1	1
OMB/311	3	3					
OPI	2	2					
NBD	11	6	4	1			
Police	<u>31</u>	<u>26</u>	<u>2</u>	<u>8</u>	<u>1</u>	<u>1</u>	<u>3</u>
	<u>111</u>	<u>77</u>	<u>18</u>	<u>8</u>	<u>1</u>	<u>1</u>	<u>6</u>

◆ Recommendation

We recommend that the Bureau of Treasury require employees to submit travel expense statements in accordance with City policy.

C. Conference and Training Description Material Not Submitted

Administrative Regulation 5-1 requires employees who attend conferences and training programs to submit with the travel expense statements, copies of registration brochures, letters of invitation, or other materials describing the programs. This requirement supports the validity of travel to training conferences and increases accountability of expenses claimed by employees. Additionally, this information is valuable to the Bureau of Accounting as they review expense statements.

Of the 111 travel expense statements in our sample selection, 104 are for travel to conferences or training programs. OPI noted that expense statements submitted for 65 of these 104 trips, or 63%, do not include material describing the training programs. The table below summarizes this information.

**Review of City Travel Expense Statements
Conference or Training Materials not Submitted**

<u>Department</u>	<u>Expense Statements Examined</u>	<u>Travel to Conferences or Training</u>	<u>Conference Material not Submitted</u>
BHRM	7	7	3
City Clerk/Council	7	7	5
DES	10	10	2
DRYS	5	5	3
ECD/911	5	5	4
Finance	2	2	2
Fire	15	14	8
IT	1	1	
Library	9	9	9
Mayor's Office	3	3	2
OMB/311	3	3	1
OPI	2	2	
NBD	11	11	8
Police	<u>31</u>	<u>25</u>	<u>18</u>
Totals	<u>111</u>	<u>104</u>	<u>65</u>

◆ Recommendation

All departments should ensure that employees submit required documentation upon completion of travel. Bureau of Accounting personnel should review all travel expense statements for proper supporting materials describing the conferences or training programs and return those statements to originating departments if employees have not included the necessary documentation.

D Reimbursed Meals Included in Registration Fees

Administrative Regulation 5-1 allows employees who travel for City business a per diem meal allowance, with separate amounts allowed for breakfast, lunch and dinner. However, this regulation also states that when a registration fee includes meals, the City will not make an additional reimbursement for any meals included in the registration fee.

As stated above, of the 111 travel expense statements in our sample selection, 104 are for travel to conferences or training programs. However, for 24 of the 104 travel expense statements examined, we could not determine if the registration fees included any meals because the employees did not submit the documentation describing the programs (see Point C. above) or the information the employees submitted did not include enough detail information about meals provided. As a result, of the remaining 80 travel expense statements that we were able to test, OPI noted that 25, or 31%, claimed at least one meal included in the registration fees and the City reimbursed the claimed per diem amounts. The following table summarizes these exceptions by department:

**Review of City Travel Expense Statements
Reimbursed Meals Included in Registration Fees**

<u>Department</u>	<u>Expense Statements for Conferences or Training</u>	<u>Meals Included and Per Diem Paid</u>
BHRM	7	
City Clerk/Council	7	7
DES	10	3
DRYS	5	4
ECD/911	5	4
Finance	2	
Fire	14	2
IT	1	
Library	9	
Mayor's	3	
OMB/311	3	1
OPI	2	
NBD	11	1
Police	<u>25</u>	<u>3</u>
Totals	<u>104</u>	<u>25</u>

◆ **Recommendation**

Departments should compare registration documentation to meal expenses claimed by employees and question those meals claimed that registration fees include. Bureau of Accounting personnel should review all travel expense statements to ensure that they do not approve per diem meal allowances for meals included in registration fees.

E. **Sales Tax Paid**

The City is exempt from New York State sales tax and, as a result, employees should not pay sales tax when traveling within New York State. Additionally, Administrative Regulation 05-1 prohibits paying sales tax. OPI noted nine instances in which the City reimbursed employees for New York State sales tax that the employees incurred during travel. These nine instances totaled \$154.28. Although the amount of sales tax paid in total is immaterial, occurrences of sales tax payment should be avoided.

◆ **Recommendation**

All employees should adhere to City policy and not pay sales tax when traveling within New York State. Additionally, the Accounts Payable

Section of the Bureau of Accounting should not reimburse expenses of sales tax paid.

IV. DEPARTMENT RESPONSE

The response of the Department of Finance to this report begins on the next page.

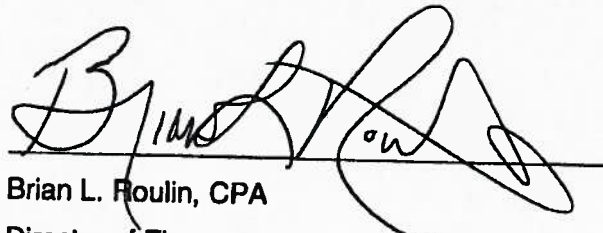


To: Daniel Mastrella, Manager of Internal Audit & Review
From: Brian L. Roulin, CPA / Director of Finance
Date: April 20, 2011
Subject: Examination of Employee Travel Expenses
Finance Department Response

In response to the 2010 Examination of Employee Travel Expenses performed by the Office of Public Integrity – Internal Audit and Review, the Department of Finance hereby accepts the findings and recommendations contained therein.

In order to promote improved compliance, the attached communication has been transmitted to the Senior Management Team and their support staff. This communication is intended to clarify and guide departments in the areas identified as requiring more management attention.

In addition, Bureau of Accounting personnel that are assigned to audit and process travel approvals and claims, will be instructed in the employee travel expense regulations that have been identified as needing improved compliance.


Brian L. Roulin, CPA
Director of Finance



City of Rochester

Department of Finance
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Rochester, New York 14614
www.cityofrochester.gov



Brian L. Roulin, CPA
Director of Finance

TO: Senior Management Team and Support Staff
FROM: Brian L. Roulin, CPA — Director of Finance
SUBJECT: Compliance with Employee Travel Expense Regulation
DATE: April 15, 2011

The Office of Public Integrity (OPI) recently completed an examination of employee travel expenses paid between January 1 and August 31, 2010. The purpose of this review was to determine the extent of compliance with the policy and procedures established in the City's Employee Travel Expense Regulation, a copy of which is attached and also posted on the [employee portal](#).

While the results of the review indicate general compliance, certain areas require management attention:

1. OPI noted that travel expense statements do not always document required authorizations prior to the commencement and subsequent to the completion of travel.
 - ❖ *You are reminded that the department head or designee must approve both the authorization for travel as well as the final expense report.*
2. OPI noted that employees frequently submit travel expense statements subsequent to the 30 day period required by policy.
 - ❖ *You are reminded that, in accordance with Section IV.G.1. of the City Travel Policy, the City Treasurer shall withhold the next payroll check of any individual who, having received a cash advance, does not comply with the provisions of the policy and is unresponsive to three dunning notifications. In addition, failure to comply may lead to the denial of subsequent travel requests.*
3. Of the 104 travel expense statements examined that involved travel to conferences or training programs, OPI noted that 65 of them or 63% did not include materials describing the programs. City Administrative Regulation 5-1 requires employees to submit descriptive material so that departments and the Bureau of Accounting can validate claimed expenses.
 - ❖ *You are reminded that program materials related to conference and training events should be attached to the travel authorization as well as to any separately processed payment, such as registration. Sufficient information should be included in these materials to confirm the dates of the event, and whether any meals are provided as part of the registration fee.*
4. OPI noted that some employees claim per diem meal expense reimbursement when conference or training program fees include those meals. City policy prohibits this.
 - ❖ *You are reminded that employees are not entitled to the City's meals allowance for those meals that are provided as part of conference registration. The only exception would be if actual travel times did not permit the employee's availability for such meals.*
5. Of the 36 vouchers involving travel in New York State, OPI noted that 9 of them included reimbursement for New York State sales tax.
 - ❖ *You are reminded that the City is exempt from New York State sales tax. Employees should complete and present a New York State Tax Exemption Certificate (Form AC 946) when incurring any expenses for reimbursement, such as lodging. This form is attached and is also available at the following link: <http://www.osc.state.ny.us/agencies/travel/taxexempt.pdf>*
 - ❖

The Bureau of Accounting has been instructed to closely audit adherence to these requirement. As a result, the processing of departmental travel authorizations and claims may be delayed until they are brought into compliance. You are therefore requested to review the travel policy requirements with your personnel, particularly those identified above.

BRL:JBB

C:James Barclay, Director of Accounting; Charles Benincasa, City Treasurer



Phone: 585.428.7151

Fax: 585.428.7533

TTY: 585.428.6054

EEO/ADA Employer

**Exemption Certificate****Tax on occupancy of hotel rooms****ST-129**

(10/00)

This form may only be used by government employees of the United States, New York State, or political subdivisions of New York State.

Name of hotel, motel, lodging house, etc.		Dates of occupancy From: / / To: / /	
Number and street	City, village, or post office	State	ZIP code Country
<i>This is to certify that I, the undersigned, am a representative of the department, agency, or instrumentality of New York State, the United States government, or the political subdivision of New York State indicated below; that the charges for the occupancy at the above establishment on the dates listed have been or will be paid for by that governmental entity; and that these charges are incurred in the performance of my official duties as a representative or employee of that governmental entity.</i>			
Governmental entity (federal, state, or local)		Agency, department, or division	
Employee name (print or type)	Employee title	Employee signature	Date / /

Instructions for the government representative or employee

If you are on official New York State or federal government business and staying in a hotel or motel:

1. Complete all information requested in the box above.
2. Sign and date this exemption certificate in the box above.
3. Show the operator of the hotel or motel your appropriate and satisfactory identification.
4. Give this completed Form ST-129 to the operator of the establishment.

You may pay your hotel bill with cash, with a personal check or personal credit card, with a government voucher, or with a government credit card.

Please note:

- If, while on official business, you stay at more than one location, you must complete an exemption certificate for each establishment.
- If you are in a group traveling on official business and staying in this particular hotel, each person must complete a separate exemption certificate and give it to the hotel operator.

Caution: Willfully issuing a false or fraudulent certificate with the intent to evade tax is a misdemeanor under section 1817(m) of the Tax Law and section 210.45 of the Penal Law, punishable by a fine of up to \$10,000.

Instructions for the operator of the hotel or motel

Keep this completed Form ST-129, *Exemption Certificate*, as evidence of exempt occupancy by New York State and federal government employees who are on official business and staying at your establishment. You must keep this exemption certificate for at least three years after the later of: 1) the due date of the last sales tax return to which this exemption certificate applies; or 2) the date when you filed the return.

This exemption certificate is valid if the government employee is paying with:

- Cash.
- A personal check or personal credit card.
- A government voucher.
- A government credit card.

Do not accept this certificate unless the representative or employee presenting it shows appropriate and satisfactory identification.