

OFFICE OF THE CITY CONTROLLER



**PLANNING AND DEVELOPMENT DEPARTMENT
TRAVEL AND TRAVEL-RELATED EXPENSES
COMPLIANCE REVIEW
FOR THE PERIOD OF JULY 1, 1996
THROUGH DECEMBER 31, 1997**

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor



SYLVIA R. GARCIA

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

February 1, 1999

The Honorable Lee P. Brown, Mayor
City of Houston, Texas

SUBJECT: Planning and Development Department
Travel and Travel-Related Expenses – Compliance Review
(Report No. 98-35)

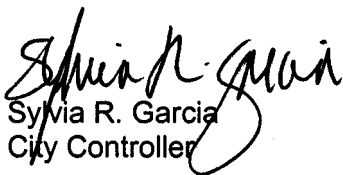
Dear Mayor Brown:

In accordance with the City's contract with Empirical Management Services (EMS), EMS has completed a review of travel and travel-related expenses incurred by the Planning and Development Department (the Department) from July 1, 1996 through December 31, 1997.

EMS designed the review to determine the Department's compliance with Administrative Procedure No. 2-5 and whether expenses were supported, computed, approved, recorded and reported properly. Their report, attached for your review, noted that the Department was in compliance with the travel policy. Also, several recommendations were made that should help improve compliance with the policy. Draft copies of the report were provided to Department officials. The findings and recommendations are presented in the body of the report and the views of the responsible officials are appended to the report as Exhibit 1.

We appreciate the cooperation extended to the EMS auditors by Department personnel during the course of the review.

Respectfully submitted,


Sylvia R. Garcia
City Controller

xc: City Council Members
Albert Haines, Chief Administrative Officer
Jorge Cruz-Aedo, Director, Finance and Administration Department
Robert Litke, Director, Planning and Development Department



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January 29, 1999

The Honorable Sylvia R. Garcia
City Controller
City of Houston
901 Bagby, 8th Floor
Houston, Texas 77002

Dear Controller Garcia:

I am pleased to present the final report of Empirical Management Service's (EMS) compliance review of the travel and travel-related expenses of the City of Houston's Planning and Development Department (the Department) for the period July 1, 1996 through December 31, 1997. Our review was conducted in accordance with agreed upon procedures as outlined in the Engagement Letter between the City of Houston and EMS dated April 23, 1998.

The purpose of this review was to determine the Department's compliance with Administrative Procedure No. 2-5 (the travel policy), which is the City's policy governing the authorization and reimbursement of local and out-of-town travel and travel-related expenses. Our review included determining whether expenses were supported, computed, approved, recorded, and reported properly.

We have determined that the Department was in compliance with the travel policy during the review period. We have also made recommendations that can help the Department improve compliance with the policy.

We are grateful for the cooperation of the Department's management team and staff personnel who assisted us during this compliance review.

Very truly yours,

Odysseus M. Lanier
President

**City of Houston
Planning and Development Department**

***Compliance Review of Travel and Travel-related Expenses
Period July 1, 1996 through December 31, 1997***

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1.0 EXECUTIVE SUMMARY

Empirical Management Services (EMS) performed a compliance review of the travel and travel-related expenses of the City of Houston’s (the City) Planning and Development Department (the Department) for the period July 1, 1996 through December 31, 1997. The purpose of the review was to determine the Department’s compliance with Administrative Procedure No. 2-5 (the travel policy), which is the City’s policy governing the authorization and reimbursement of local and out-of-town travel and travel-related expenses. Our review also included determining if travel expenses were supported, computed, approved, recorded, and reported properly.

This report summarizes the results of our review and consists of five sections as follows:

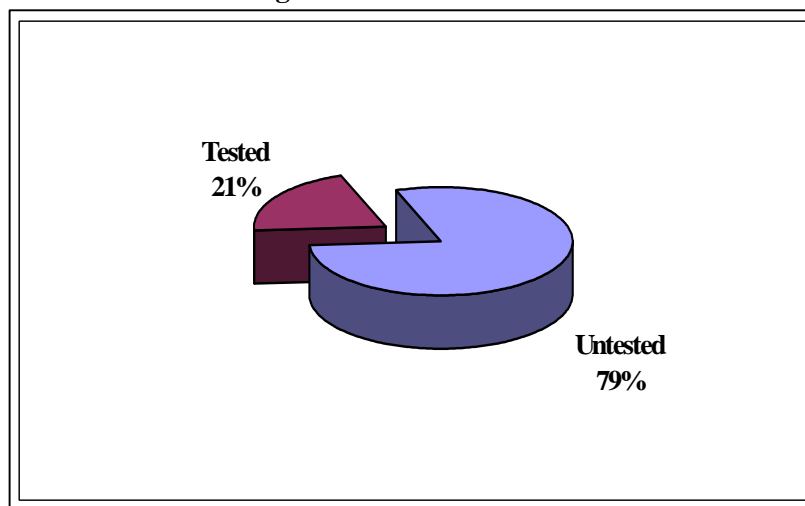
- 1.0 Executive Summary
- 2.0 Background
- 3.0 Current Situation
- 4.0 Findings and Recommendations
- 5.0 Appendix

To test the Department’s compliance with the travel policy, the EMS review team employed various techniques and review procedures. Our methodology included randomly selecting a sample of travel vouchers for testing, developing testing criteria from the travel policy, and formulating a grading scale to measure the Department’s degree of compliance.

Review Methodology

The EMS review team obtained a list of all of the travel vouchers issued during the review period. We randomly selected 77 vouchers for testing from a population of 366 vouchers. **Exhibit 1** depicts the sample coverage based on the voucher population.

**Exhibit 1
Coverage of Travel Vouchers Tested**



Source: EMS Review Team

To develop compliance test criteria, the EMS review team obtained a copy of A.P. No. 2-5 and identified 68 specific requirements in the policy. Compliance-related questions were developed from these requirements (see the Appendix for a list of these questions). For example, section 7.2.1 of the policy establishes maximum average per diem meal rates as follows:

“The City will establish maximum average per diem rates which are reasonable for the travel locations.... Unless otherwise noted, employees will be reimbursed for actual expenses at a maximum average daily rate of \$40.00 (including taxes and tips).”

From this requirement, the EMS review team developed the question: “Are actual meal charges for the period of travel equal to or below the allowed per diem rate of \$40.00 per day?” Such questions were applied to each voucher with “yes,” indicating compliance, “no,” indicating noncompliance, or “N/A,” indicating not applicable. Questions were answered “not applicable” because many of them did not apply to every voucher. For example, per diem meal charge questions did not apply to vouchers for conferences if meal charges were already included in the registration fee.

Upon completion of the compliance tests, the Department received a grade based on the following formula:

$$\frac{\text{Total Yes Answers}}{\text{Total Applicable Questions}} = \text{Department Grade}$$

Exhibit 2 presents a summary of the Department’s results:

**Exhibit 2
Summary of Voucher Test Results**

Total vouchers reviewed	77
Policy requirements tested	68
Total yes answers	1,252
Total no answers	142
Total applicable questions	1,394
Department grade	90%

Source: EMS Review Team

Grades were evaluated based on the scale in **Exhibit 3**.

Exhibit 3
Planning and Development Department
Travel Voucher Grading Scale

Grade	Conclusion
75% to 100%	Department is in compliance with the City’s travel policy.
0% to 74%	Department is not in compliance with the City’s travel policy.

CONCLUSION

Based on a grade of 90 percent, the Department was in compliance with A.P. No. 2-5 during the review period. Although the Department was in compliance during the review period, the EMS review team noted specific instances of departure from the travel policy. Our findings and recommendations for improvement are presented in the following section.

Findings and Recommendations

FINDING

The EMS review team noted that in 21 instances, travel forms had not been approved as required by the travel policy. The policy requires that designated authorities approve employees’ requests for travel, travel advances, and travel expense reimbursements. The purpose of this requirement is to ensure that travel expenses are proper and incurred only while conducting City business.

RECOMMENDATION

Enforce travel policy authorization provisions and deny reimbursement of travel expenses that are not approved before trips are taken.

The travel policy states, “*The **approved** original of the Travel Authorization Request and related receipts must accompany the Travel Expense Report and Travel-related Log when it is submitted for reimbursement.*” City funds should not be paid until all of the proper approvals have been obtained. Individuals responsible for reviewing travel documents must verify that proper authorizing signatures are present before funds are released.

FINDING

Classification of travel expenses is inconsistent within and among City departments. Consolidated reports and comparisons of travel expenses are meaningless if all City departments do not code expenses properly and consistently. Vague object code descriptions contribute to the problem.

RECOMMENDATION

Confer with the City Controller's Office to consider establishing new object code descriptions for travel and travel-related expenses, and periodically review travel-related object codes for misclassified expenses.

A simpler, more logical option is to classify amounts as either local or out-of-town travel expenses.

FINDING

The Department does not have an efficient method of cross-referencing and identifying transaction vouchers related to specific trips. Transaction vouchers are used to record various transactions including travel expenses. For example, one transaction voucher is used to record travel advances and another is used to pay airfare. It is difficult to identify and pull together into one package all of the transaction vouchers related to a specific trip because each transaction voucher has a unique reference number that is not cross-referenced to other vouchers.

Currently, the Department uses a log to record travel advance transaction vouchers. The purpose of the log is to keep track of outstanding travel advances. This log could be expanded to list and cross-reference all travel-related vouchers. Supporting documentation for travel expenses would be easier to retrieve if every transaction voucher related to a specific trip were listed, identified, and cross-referenced on this log.

In addition, payment vouchers for airfare and registration fees would be easier to locate if references to these documents were made directly on the expense report. This information would not affect the amount of reimbursement but would be used to pull together, in one place, all related travel expenses.

RECOMMENDATION

Expand the travel advance log so that it lists, identifies, and cross-references all of the transaction vouchers related to a specific trip. Also, confer with the Finance and Administration Department to consider including a section on the travel expense report that documents prepaid airfare and registration fee information.

The log should include, at a minimum, the following columns:

- Employee name
- Trip date
- Trip location
- Registration payment voucher number and date
- Airline payment voucher number and date
- Travel advance payment voucher number and date
- Travel advance reversal journal voucher number and date
- Liquidation payment voucher number and date
- Liquidation cash receipts voucher number and date

The Department should confer with the Finance and Administration Department to consider redesigning the travel expense report. A section should be included that references the amount, date paid, and payment voucher number of prepaid airfare and registration fees.

FINDING

The EMS review team noted that 9 out of 77 expense reports were completed more than 10 days after the trip. In one case, the employee signed the expense report prior to taking the trip. The travel policy requires employees to complete an expense report no later than 10 days after the trip. The purpose of the 10-day rule is to ensure that travel expenses are recorded and excess travel advances are returned to the City on a timely basis.

The travel policy states in section 6.3.2:

“An employee may be denied a travel cash advance if he/she....

- *Has not submitted an expense report for previously completed travel.*
- *Consistently submits the travel expense report late (more than 10 days after travel is completed).”*

RECOMMENDATION

Confer with the Finance and Administration Department to consider expanding section 6.3.2 of the travel policy to deny travel to employees until they have submitted expense reports for previously completed travel.

After the section is expanded, employees should be notified that the 10-day rule will be strictly enforced.

FINDING

The Request for Travel Advance (RTA) contains a statement requiring employees to comply with the 10-day rule. The statement on the RTA is worded differently than the one in the travel policy. The wording on the RTA reads: *“I agree to submit all required expense statements within ten (10) working days of my return....”* However, the wording in the travel policy reads: *“Employees are required to complete a Travel Expense Report and Travel-related Log, no later than 10 days after completion of the trip.”*

RECOMMENDATION

Confer with the Finance and Administration Department to consider revising the 10-day rule on the Request for Travel Advance to read: “I agree to submit all required expense statements no later than 10 days after completion of my trip.” As an alternative, management may consider revising the policy to read: “no later than 10 working days after completion of the trip.”

Although the discrepancy between the RTA and the travel policy may not account for every violation of the 10-day rule, it could be a contributing factor, especially if employees are confused by the discrepancy. To avoid confusion, the language in both documents should be made consistent.

FINDING

The review team noted several instances of noncompliance with the policy's per diem meal allowance provisions. In three instances, employees exceeded the per diem meal allowance, and in one instance, an employee was not given the full allowance due. In another instance, an employee charged a meal after the trip was completed.

RECOMMENDATION

Strictly adhere to meal allowance provisions in the travel policy and settle with employees for incorrect meal expenses charged to the City.

The Department should review its method of calculating per diem meal reimbursements. If meal per diems are not calculated in accordance with the policy, employees might not receive the full reimbursement to which they are entitled.

FINDING

On 44 out of 77 vouchers, the employee or supervisor did not date the Travel Expense Report and Travel-related Log (TER&L) or the Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings form, also known as the Travel Authorization Request (TAR). The policy does not specifically require that employees and supervisors date these documents. However, the requirement is implied because the forms have a place for a signature and a date. The purpose of the TAR is to approve travel before expenses are incurred. The purpose of the TER&L is to approve reimbursement for travel expenses that have been incurred. There is no way to determine if travel expenses are being approved prior to trips unless both the employee and supervisor date these documents.

RECOMMENDATION

Promote date stamping of travel documents at critical processing points, and encourage employees and supervisors to date all travel documents.

2.0 BACKGROUND

City of Houston employees attend a variety of local and out-of-town conventions, conferences, seminars, workshops, and meetings to gain knowledge specific to their area of responsibility, enhance professional skills, and conduct City business. The City's travel policy, last revised in November 1994, outlines procedures for City employees to obtain approval for and reimbursement of travel expenses connected with both local and out-of-town travel. It designates those responsible for authorizing travel and sets forth the procedures and forms necessary to obtain approval for travel, travel advances, and reimbursement of travel expenses. The policy also distinguishes between travel expenses that are eligible for reimbursement and those that are not. The policy applies to all salaried and nonsalaried City employees and to all elected officials.

Four object codes were examined during the review of travel and travel-related expenses. Most travel and travel-related expenses are charged to object codes 30910 Travel-Training and 30950 Travel-Non-Training. Conference and seminar registration fees are considered travel-related and are charged to 30900 Education and Training. Memberships include fees for professional

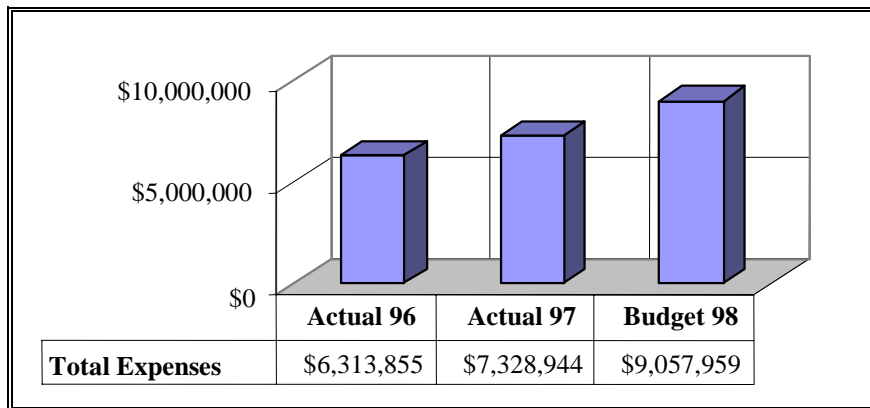
organizations and are charged to object code 30905 Memberships. Although not directly related to travel, this object code was included in the review to ensure that travel expenses were not being incorrectly charged to Memberships. The City charged an average of \$7.0 million in expenses to these four object codes during fiscal 1996 and 1997. Exhibits 4 and 5 present total expenses charged to these object codes for fiscal years 1996 through 1998. The City’s fiscal year runs from July 1 through June 30.

Exhibit 4
The City of Houston
Total Charges by Object Code Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

Object Code	Actual		Budget
	1996	1997	1998
30900 Education & Training	\$2,188,670	\$2,657,133	\$3,508,812
30905 Memberships	\$1,580,566	\$2,123,204	\$2,142,549
30910 Travel-Training	\$1,601,494	\$1,597,871	\$2,045,886
30950 Travel Non-Training	\$943,125	\$950,736	\$1,360,712
Total Expenses	\$6,313,855	\$7,328,944	\$9,057,959

Source: City of Houston Controller’s Office

Exhibit 5
The City of Houston
Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

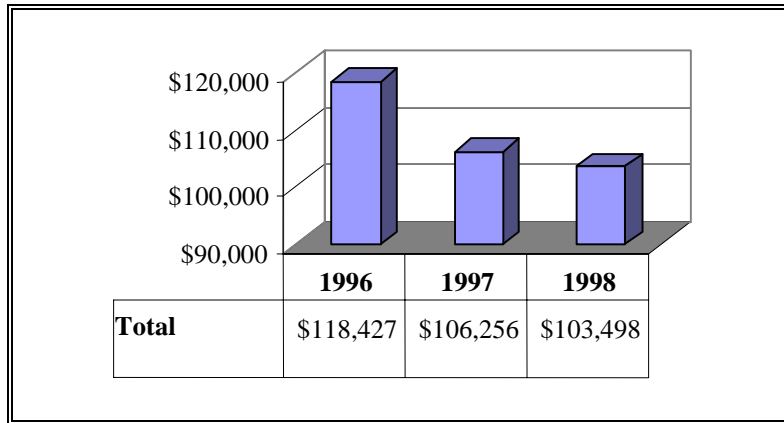


Source: City of Houston Controller’s Office

Department charges to the four object codes make up slightly less than two percent of the City’s charges to the object codes. Employees incur travel expenses to conduct City business and to attend various local and out-of-town seminars, workshops, and conventions. Exhibit 6 presents total Planning and Development Department charges to the four object codes for fiscal years 1996 through 1998. Exhibit 7 compares the Department’s and City of Houston’s charges for

fiscal years 1996 through 1998. **Exhibit 8** compares the Department’s 1998 budgeted travel expenses to those of Dallas, Atlanta, and Los Angeles. To enhance comparability, object code 30905 Memberships was excluded from **Exhibit 8**.

Exhibit 6
Planning and Development Department
Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998



Source: City of Houston Controller’s Office

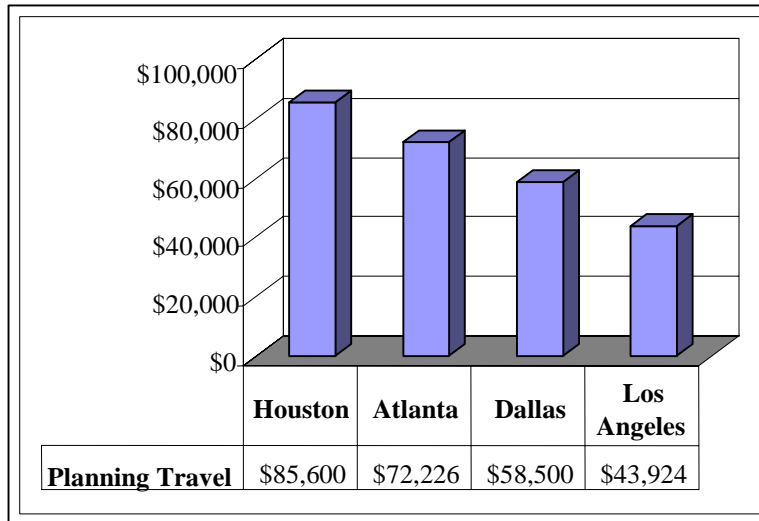
Note: 1996 and 1997 are actual; 1998 is budgeted.

Exhibit 7
Planning and Development Department and City of Houston
Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

	Actual 1996	Actual 1997	Budget 1998	Percentage Increase (Decrease) 1996 to 1998
Total Department	\$118,427	\$106,256	\$103,498	(12.6)%
Total City	\$6,313,855	\$7,328,944	\$9,057,959	43.5%
Department as a Percentage of City	1.9%	1.4%	1.1%	

Source: City of Houston Controller’s Office

Exhibit 8
Planning and Development Department
Houston, Dallas, Atlanta, Los Angeles
Fiscal 1998 Budgeted Travel Expenses

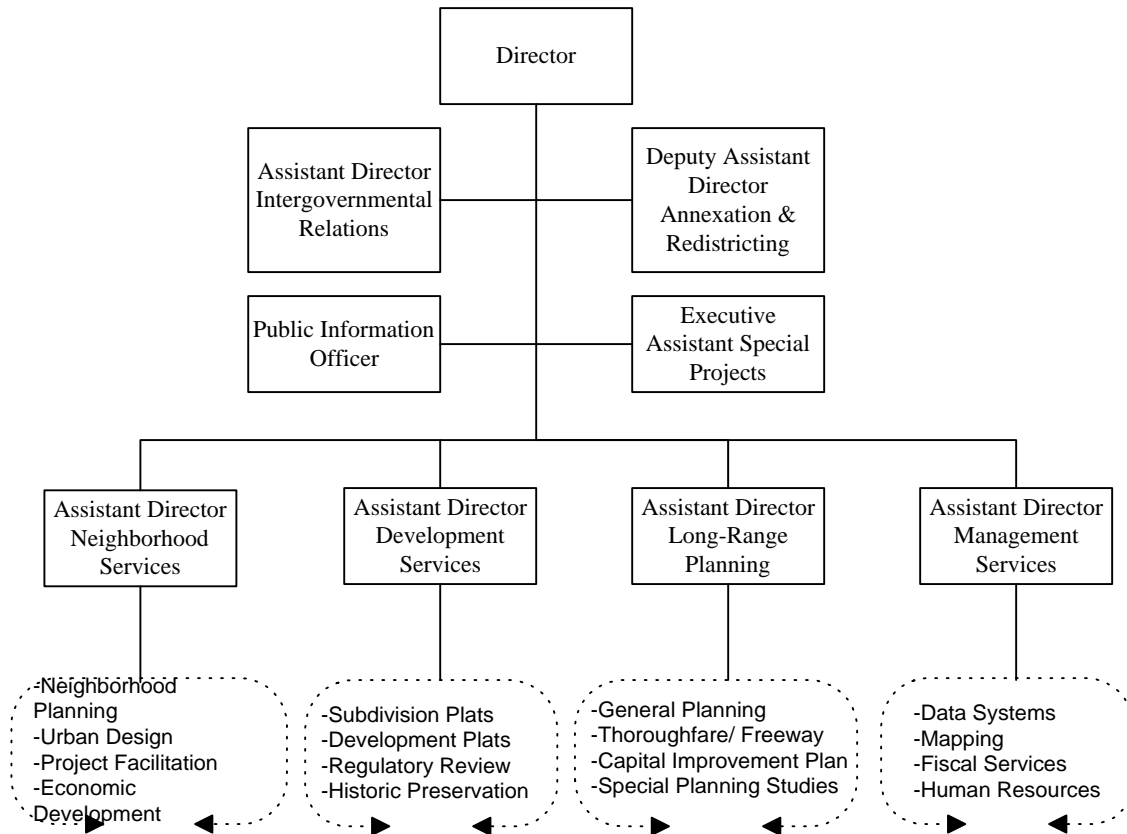


Source: City of Houston Controller's Office and interviews with finance personnel of respective cities.

3.0 CURRENT SITUATION

The Planning and Development Director is responsible for the overall management of the Department. The Department employs 130 persons in 4 divisions: Neighborhood Services, Development Services, Long-Range Planning, and Management Services. The Neighborhood Services and Long-Range Planning Divisions support neighborhood and redevelopment planning and implementation programs, including the preparation of demographic and socio-economic reports. The Development Services Division processes subdivision and development plats, reviews building permits and construction plans for compliance with City regulations, and implements the Historic Preservation Ordinance. The Management Services Division provides fiscal and human resource services to the Department as well as mapping and data services through its data systems component. Data systems maintains and upgrades the City's Geographic Information System (GIS), a comprehensive database that is used to respond to mapping and data requests from all City departments. **Exhibit 9** presents the Department's organizational chart.

Exhibit 9 Planning and Development Department Organizational Chart



Source: Planning and Development Department

Employees use three forms to obtain approval for travel, travel advances, and reimbursement for travel expenses:

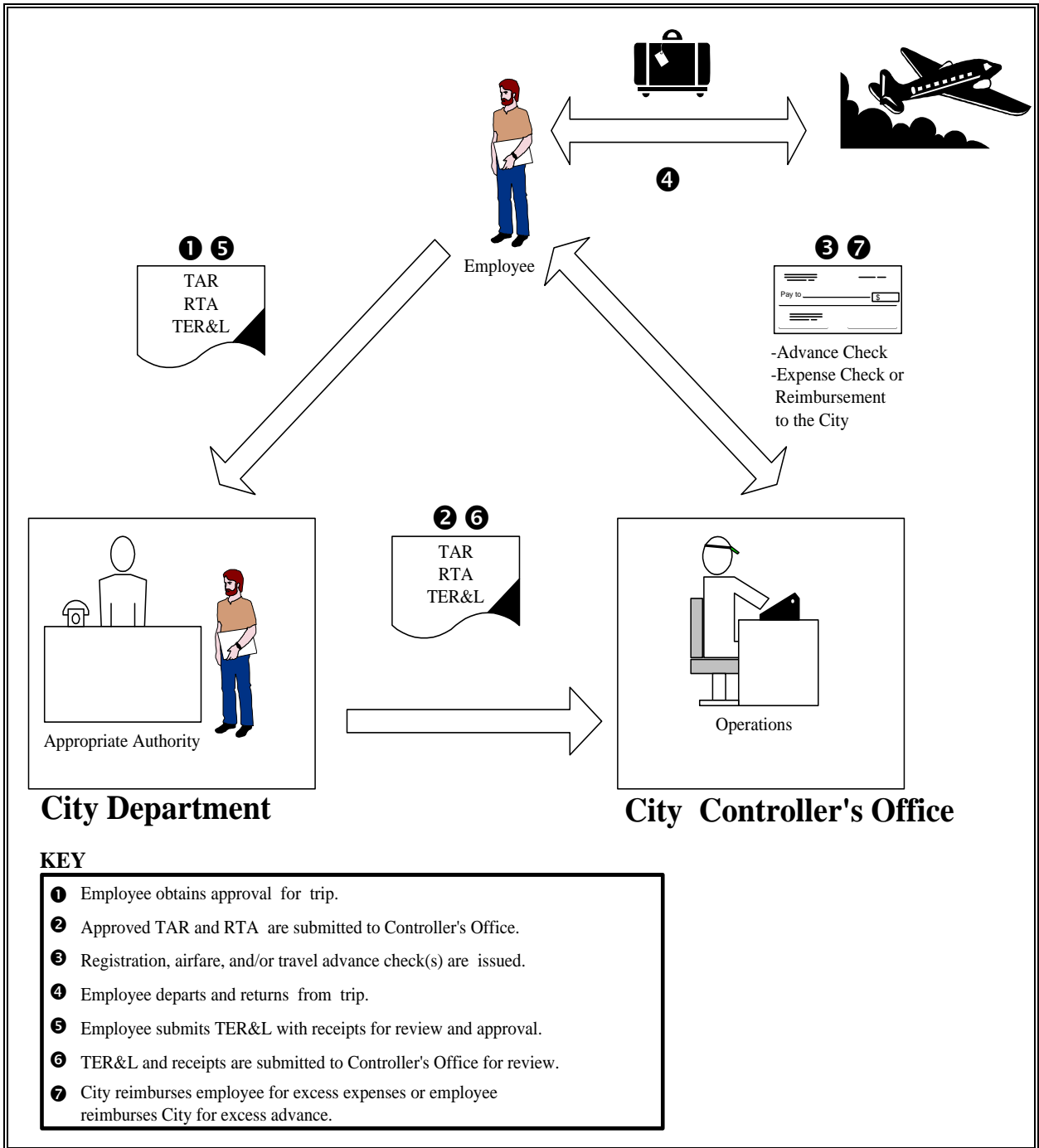
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

Employees must use a TAR to obtain approval for local and out-of-town travel. The RTA is used to request a cash advance to pay for lodging, meals, and transportation costs while traveling. The TER&L or expense report is used to record and request reimbursement for actual expenses incurred. Travel advances and actual travel expenses are reconciled on the RTA.

After an employee completes the TAR, it is forwarded to the appropriate authority for approval. If a travel advance is required, an RTA is also submitted for approval. The approved TAR and RTA are then forwarded to the Controller's Office for review and issuance of funds. Conference registration fees and airfare are often paid well in advance of a trip. This practice reduces overall travel costs because many conferences and airlines offer discounts for early payment. Employees are required to submit RTAs to the Controller's Office at least five days before the trip. Once the Controller's Office has received an approved TAR and RTA, the employee receives the travel advance and departs on the trip.

Within 10 days after completion of the trip, the employee is required to complete an expense report. The employee and the appropriate authority sign the expense report and submit it to the Controller's Office for liquidation. Liquidation is the process of settling the travel advance. If actual travel expenses are less than the travel advance, the employee attaches a check to the expense report to reimburse the City for the excess. If actual travel expenses are greater than the travel advance, the Controller's Office issues the employee a check for the difference. **Exhibit 10** depicts the general flow of the travel authorization and reimbursement process.

Exhibit 10
Travel Authorization and Reimbursement Process



Source: EMS Review Team

4.0 FINDINGS AND RECOMMENDATIONS

FINDING

The EMS review team noted that in 21 instances, travel forms had not been approved as required by the travel policy. The policy requires that designated authorities approve employees’ requests for travel, travel advances, and travel expense reimbursements. The purpose of this requirement is to ensure that travel expenses are proper and incurred only while conducting City business. **Exhibit 11** presents travel forms that were not approved as required by the travel policy.

**Exhibit 11
Vouchers Not Approved as Required by Travel Policy**

Voucher ID	Travel Forms		
	TAR Not Approved	RTA Not Approved	TER&L Not Approved
PV977000097			✓
PV977000477			✓
PV977000476			✓
JV977000013			✓
PV977000316	✓		✓
PV977000341	✓		
PV977000199			✓
PV977000153			✓
PV977000317			✓
PV977000422			✓
PV977000320			✓
PV977000440	✓		
PV977000372			✓
PV977000196			✓
PV977000022			✓
JV977000058	✓	✓	
PV977000350	✓		
PV97700127	✓		
JV987000052		✓	✓
*PV987000145	✓		
JV987000057			✓

Source: EMS Review Team

* This TAR was approved after the trip.

Proper and timely authorization of travel forms is one of the best deterrents to abuse of the City’s travel policy. If authorization controls are weak or ineffective, there is little assurance that the City is incurring legitimate and appropriate travel expenses.

Recommendation 1

Enforce travel policy authorization provisions and deny reimbursement of travel expenses that are not approved before trips are taken.

The travel policy states, “The **approved** original of the Travel Authorization Request and related receipts must accompany the Travel Expense Report and Travel-related Log when it is submitted for reimbursement.” City funds should not be paid until all of the proper approvals have been obtained. Individuals responsible for reviewing travel documents must verify that proper authorizing signatures are present before funds are released.

FINDING

Classification of travel expenses is inconsistent within and among City departments. Consolidated reports and comparisons of travel expenses are meaningless if all City departments do not code expenses properly and consistently. **Exhibit 12** lists object code names and descriptions according to the City’s chart of accounts. All vouchers tested were selected from these object codes.

**Exhibit 12
Object Code Descriptions**

Object Code	Description
30900 Education & Training	Includes instructional service expenses and reimbursable expenses under approved education and training programs, as well as fees paid for training or education at local or out-of-town conferences and seminars.
30905 Memberships	Includes membership costs and other fees related to professional organizations such as engineering fees, licensing fees, CPA licenses, and AICPA dues.
30910 Travel-Training	Includes all expenses for out-of-town trips by City employees for schools and training seminars, including transportation, meals, lodging, and tips.
30950 Travel-Non-Training	Includes all expenses for out-of-town trips by employees for conferences, business meetings, and recruiting, including transportation, meals, lodging, and tips. Also includes expenses related to local and suburban transportation and passenger service.

Source: City of Houston Chart of Accounts Manual

Vague object code descriptions contribute to the classification problem. For example, according to the chart of accounts, expenses for training seminars should be charged to 30910 Travel-Training, whereas expenses for conferences should be charged to 30950 Travel Non-Training. If the difference between training seminars and conferences is not clearly defined, confusion and inconsistent classification will result. **Exhibit 13** presents examples of classification errors and inconsistencies noted during the review.

Exhibit 13
Examples of Classification Inconsistencies and Errors

Voucher Id	Type of Expense	30900*	30905*	30910*	30950*	Explanation
PV977000402	Meals & Tips Parking			✓	✓	Meals & tips for a local luncheon were charged to Travel-Training, but parking for the same event was charged to Travel-Non-Training. This is inconsistent.
PV977000379	Registration fees			✓		Registration fees were charged to Travel-Training. This is inconsistent with the voucher below where they were charged to Education & Training.
PV977000196	Registration fees	✓				Registration fees were charged to Education & Training. This is inconsistent with the voucher above where they were charged to Travel-Training.
PV977000350	Registration Fees		✓			Registration fees were incorrectly charged to Memberships.
PV977000064	Computer Supplies				✓	Computer supplies should have been charged to object code 20305 Computer Supplies. They were miscoded to Travel-Non-Training.

Source: EMS Review Team

*Object Codes

- 30900 Education & Training
- 30905 Memberships
- 30910 Travel-Training
- 30950 Travel-Non-Training

The existing object code descriptions do not ensure consistent classification of travel and travel-related expenses within and among the City’s departments.

Recommendation 2

Confer with the City Controller’s Office to consider establishing new object code descriptions for travel and travel-related expenses, and periodically review travel-related object codes for misclassified expenses.

A simpler, more logical option is to classify amounts as either local or out-of-town travel expenses. The object code descriptions in **Exhibit 14** are suggested.

**Exhibit 14
Suggested Object Code Descriptions**

Title	Description
Education and Registration Expenses	Includes registration fees, tuition, and instructional material expenses under approved education and training programs, as well as fees paid for training or education at local or out-of-town conferences and seminars.
Memberships	Includes membership costs and other fees related to professional organizations, such as engineering fees, licensing fees, CPA licenses, and AICPA dues.
Local Travel Expenses	Includes all expenses such as transportation, meals, and tips, but excludes registration fees, tuition, and instructional materials for approved local conferences, training seminars, conventions, and City business meetings.
Out-of-Town Travel Expenses	Includes all expenses such as transportation, meals, lodging, tips, transportation, and passenger service, but excludes registration fees, tuition, and instructional materials for approved out-of-town trips for conferences, training seminars, conventions, and City business meetings.

Source: EMS Review Team

FINDING

The Department does not have an efficient method of referencing and identifying all transaction vouchers related to specific trips. This makes it difficult to pull together, into one package, all of the documentation related to such trips. Transaction vouchers are used to pay and record various transactions including travel expenses. For example, one transaction voucher is used to pay travel advances and another is used to pay airfare. Four types of transaction vouchers are used: payment vouchers, journal vouchers, cash receipts vouchers, and interdepartmental vouchers. Payment vouchers record expenditures, journal vouchers record accounting entries, cash receipts vouchers record cash receipts, and interdepartmental vouchers record transactions between departments. Up to five transaction vouchers might be produced for a single trip. Each voucher has a unique reference number that is used to retrieve supporting documentation from the Department’s files.

The TAR, RTA, and TER&L travel forms serve as supporting documentation for these transaction vouchers. Once a trip has been completed, the related travel forms are attached to and filed with one of the transaction vouchers, usually the payment voucher used for liquidation. **Exhibit 15** is a summary of documentation generated during the travel process.

Exhibit 15
Summary of Travel Voucher Documentation

Event	Travel Forms Required	Transaction Vouchers Required
Travel is approved.	Travel Authorization Request (TAR)	Payment voucher issued to pay registration fees. Payment voucher issued to pay airfare.
Travel advance is authorized.	Request for Travel Advance (RTA)	Payment voucher issued to pay travel advance.
Employee returns from trip.	Travel Expense Report & Travel-related Log (TER&L)	Journal voucher prepared to reverse travel advance and record actual expenses.
City owes employee for excess expenses.	Properly completed TAR, RTA, TER&L	Payment voucher issued to reimburse employee for excess expenses.
Employee owes City for excess travel advance.	Properly completed TAR, RTA, TER&L	Cash receipts voucher issued to record employee's reimbursement to the City.

Source: EMS Review Team observations and interviews with City personnel.

Currently, the Department uses a log to record travel advance transaction vouchers. The purpose of the log is to keep track of outstanding travel advances. This log could be expanded to list and cross-reference all travel-related vouchers. Supporting documentation for travel expenses would be easier to retrieve if every transaction voucher related to a specific trip were listed, identified, and cross-referenced on this log.

In addition, payment vouchers for airfare and registration fees would be easier to locate if references to these documents were made directly on the expense report. The expense report already includes a line for registration fees paid directly by the employee; however, the City usually pays registration fees and airfare in advance. The report could be modified to include a reference section for airfare and registration fees paid in advance. This information would not affect the amount of reimbursement but would be used to pull together, in one place, all related travel expenses.

Recommendation 3

Expand the travel advance log so that it lists, identifies, and cross-references all of the transaction vouchers related to a specific trip. Also, confer with the Finance and Administration Department to consider including a section on the travel expense report that documents prepaid airfare and registration fee information.

The log should include, at a minimum, the following columns:

- Employee name
- Trip date
- Trip location
- Registration payment voucher number and date
- Airline payment voucher number and date
- Travel advance payment voucher number and date
- Travel advance reversal journal voucher number and date
- Liquidation payment voucher number and date
- Liquidation cash receipts voucher number and date

The Department should confer with the Finance and Administration Department to consider redesigning the travel expense report. A section should be included that references the amount, date paid, and payment voucher number of prepaid airfare and registration fees.

FINDING

The EMS review team noted that 9 out of 77 expense reports were completed more than 10 days after the trip. In one case, the employee signed the expense report prior to taking the trip. The travel policy requires employees to complete an expense report no later than 10 days after completion of the trip. The purpose of the 10-day rule is to ensure that travel expenses are recorded and excess travel advances are returned to the City on a timely basis.

Exhibit 16 summarizes the exceptions noted above.

Exhibit 16
Vouchers Not in Compliance with the 10-day Rule

Voucher ID	Date Trip Completed	Date TER&L Completed	Days Overdue
JV977000058	4/9/97	5/14/97	35
PV977000054	7/31/96	8/23/96	23
PV977000097	8/1/96	8/22/96	21
PV977000098	9/15/97	10/3/96	18
PV977000013	10/20/96	11/6/96	17
PV977000422	4/12/97	4/28/97	16
JV987000057	10/7/97	10/21/97	14
PV977000150	9/27/96	10/8/96	11
PV977000082	10/5/97	9/23/96	*

Source: EMS Review Team

** The employee signed this expense report prior to taking the trip.*

The travel policy states in section 6.3.2:

“An employee may be denied a travel cash advance if he/she...

- Has not submitted an expense report for previously completed travel.*
- Consistently submits the travel expense report late (more than 10 days after travel is completed).”*

Most department employees obtain travel advances to pay expenses when they travel. All but two of the expense reports shown in **Exhibit 16** involved travel advances. Denying both travel advances and future travel to employees who consistently submit late expense reports would strengthen section 6.3.2 of the travel policy.

Recommendation 4

Confer with the Finance and Administration Department to consider expanding section 6.3.2 of the travel policy to deny travel to employees until they have submitted expense reports for previously completed travel.

After the section is expanded, employees should be notified that the 10-day rule will be strictly enforced.

FINDING

The Request for Travel Advance contains a statement requiring employees to comply with the 10-day rule. The statement on the RTA is worded differently than the one in the travel policy. The wording on the RTA reads: *“I agree to submit all required expense statements **within ten (10) working days** of my return....”* However, the wording in the travel policy reads: *“Employees are required to complete a Travel Expense Report and Travel-related Log, **no later than 10 days** after completion of the trip.”*

Recommendation 5

Confer with the Finance and Administration Department to consider revising the 10-day rule on the Request for Travel Advance to read: “I agree to submit all required expense statements no later than 10 days after completion of my trip.” As an alternative, management may consider revising the policy to read: “no later than 10 working days after completion of the trip.”

Although the discrepancy between the RTA and the travel policy may not account for every violation of the 10-day rule, it could be a contributing factor, especially if employees are confused by the discrepancy. To avoid confusion, the language in both documents should be made consistent.

FINDING

The review team noted several instances of noncompliance with the policy’s per diem meal allowance provisions. The policy states, *“... employees will be reimbursed for actual expenses at a maximum average daily rate of \$40.00 (including taxes and tips)... Employees will be reimbursed for actual meal expenses on days that they are travelling to or returning from their*

travel destination....” The policy allows employees to average meal charges for full days spent at the travel location. This allows employees to overspend the maximum per diem on some days and underspend on other days.

The review team noted three instances of employees’ exceeding the per diem meal allowance and one instance in which the employee was not given a full allowance. In another instance, an employee charged a meal after the trip was completed.

Exhibit 17 presents the amounts due to the City or to the employee as a result of the above exceptions.

Exhibit 17
Amounts to the City or Employees for Meal Charges

Voucher ID	Amount Charged	Correct Charge	Due to City (Employee)	Explanation
JV977000001	\$14.97	\$0	\$14.97	Employee’s trip ended at 2:19 p.m. on day of return. Employee charged the City for a meal at 8:39 p.m. on day of return and double charged a \$5.00 tip.
PV977000082	\$120.00	\$132.21	(\$12.21)	The Department did not reimburse employee for actual meal expenses even though they were less than the maximum per diem.
PV977000471	\$47.14	\$40.00	\$7.14	Employee exceeded the maximum allowed per diem.
JV987000056	\$48.96	\$40.00	\$8.96	Employee exceeded the maximum allowed per diem.
PV977000472	\$45.74	\$40.00	\$5.74	Employee exceeded the maximum allowed per diem.

Source: EMS Review Team

Recommendation 6

Strictly adhere to meal allowance provisions in the travel policy and settle with employees for incorrect meal expenses charged to the City.

Although the amounts are not significant, the Department should seek to recover or pay the amounts noted in **Exhibit 17**. The Department should also review its method of calculating per diem meal reimbursements. In some instances, employees may not be receiving the full amount of reimbursement to which they are entitled.

FINDING

On 44 out of 77 vouchers, the employee or supervisor did not date the TAR or the TER&L. The policy does not specifically require that employees and supervisors date these documents. However, the requirement is implied because the forms have a place for a signature and a date. The purpose of the TAR is to approve travel before expenses are incurred. The purpose of the

TER&L is to approve reimbursement for travel expenses that have been incurred. There is no way to determine if travel expenses are being approved prior to trips unless both the employee and supervisor date these documents.

Recommendation 7

Promote date stamping of travel documents at critical processing points, and encourage employees and supervisors to date all travel documents.

5.0 Appendix

Compliance Questions Developed from Travel Policy

Question	Description
1	Do receipts attached to the TER&L appear authentic?
2	Are receipt dates within travel period?
3	Do TER&L and receipts appear reasonable given the facts?
4	Is the TER&L mathematically accurate?
5	Do TER&L totals agree with the RTA sections A & B?
6	Does RTA section B agree with RTA section C?
7	If travel was outside the contiguous 48 states, did the Mayor or his designee approve it?
8	Does TAR include a clear explanation of the business purpose?
9	Was the RTA submitted to the City Controller at least five working days prior to anticipated departure?
10	Are lodging receipts for single room occupancy?
11	Are lodging rates “government rates?”
12	If traveling with spouse and/or family members, has employee borne their expenses?
13	If traveling with spouse and/or family members, has employee borne the incremental cost of lodging?
14	Are average actual meal charges for the period of travel equal to or below allowed per diem rates?
15	Did employee exclude per diem charges and charge only actual for day of departure and day of return?
16	Did employee exclude per diem charges and charge only actual for one-day business trips?
17	Were meals charged only after the employee began business and before employee ended business travel?
18	Is cost of meal reasonable based on the time of the day traveled?
19	If the employee has charged the cost of a conference/convention-related meal, has a receipt showing the cost of the meal been attached?
20	If the employee has charged the cost of a related meal, has a conference/convention brochure showing the cost of the meal been attached?
21	During the day of the conference/convention, were other meals charged at actual and not per diem?
22	Was the cost of other meals taken during that day less than \$40.00?
23	Was the cost of other meals taken during that day reasonable based on travel location?
24	Has the cost of these “exception” days been excluded from the computation of the average per diem?
25	If employee charged parking, has a receipt or log showing the name and location of the parking lot and the phone number of the parking lot company been submitted with the TER&L?
26	Are parking fees in excess of \$10.00 per parking event supported by a receipt?
27	If parking meter charges were submitted, has employee logged the time, general location, and amount deposited in the meter?
28	Are telephone, telex, overnight mail, and fax charges supported by an itemized bill or receipt or listed on the TER&L?

Compliance Questions Developed from Travel Policy

Question	Description
29	Do receipts and other documentation (e.g., brochures) support registration fees for local and out-of-town conventions, conferences, and workshops?
30	Is the amount and purpose of tips (e.g., baggage handling) reported on the log?
31	Have tips to hotel/motel custodial personnel been excluded from reimbursable expenses?
32	If employee flew first class, did the Mayor, Chief of Staff, Mayor’s designee, or Department Director approve it?
33	Did any of the exceptions in the travel policy apply?
34	If the Department purchased airline tickets through a travel agency, did the employee submit a copy of the unused ticket to Accounts Payable?
35	If the employee purchased airline tickets, was reimbursement made after the travel was completed?
36	Was the canceled ticket stub or a certified copy of the canceled ticket prepared by the airline attached to the TER&L report?
37	Did employee follow City policy prohibiting employees from using their position with the City to obtain free or discounted upgrades on tickets to a higher class of seating?
38	If car rental was approved on the TAR, was the purpose justified?
39	If a City-owned vehicle was used for in-state travel, was it approved by the Department Director?
40	If a City-owned vehicle was used for in-state travel, were expenses for gas, oil, and emergency repairs supported by receipts showing the date, time, and location of purchase?
41	If a City-owned vehicle was used for travel outside Texas, was it approved by the Mayor or the Mayor’s designee?
42	If an employee used his/her car on City business, was the cost reasonable (equal to or less than the cost of round trip transportation using other modes of transportation)?
43	Was mileage reimbursed at the approved rate?
44	Did the employee maintain mileage in the mileage log in the TER&L report and was it reasonable based on mileage chart?
45	Is the cost of ground transportation, taxicab, limousine, bus, subway, toll road fares, etc. recorded on the log listing dates, origination, and destination points?
46	Does a receipt support ground transportation costing \$20 or more?
47	Have alcoholic beverages been excluded from the TER&L?
48	Have employee time & expense been excluded from the TER&L?
49	Have excess baggage charges for personal belongings been excluded from the TER&L?
50	Have personal entertainment expenses been excluded from the TER&L?
51	Does an original TAR support expenditure?
52	Did the proper authority approve the TAR?
53	Did the authority date the TAR?
54	Did the employee sign the TAR?
55	Did the employee date the TAR?
56	If employee requested a travel advance, was it supported by an original TAR & RTA?
57	Did the proper authority approve the RTA?

Compliance Questions Developed from Travel Policy

Question	Description
58	Did the employee sign the RTA?
59	Is expenditure supported by a TER&L?
60	Was the TER&L approved by the proper authority?
61	Was the TER&L dated by the authority?
62	Was the TER&L signed by the employee?
63	Was the TER&L dated by the employee?
64	Has the TER&L been completed within 10 days after completion of the trip?
65	Is TER&L report supported by related receipts?
66	Were deposits for reimbursements to the City deposited in the bank?
67	Did City employee and not consultants or other individuals under contract to perform services for the City complete the TAR?
68	Have the various travel & entertainment expenses been charged to the proper accounts in the proper period?

EXHIBIT 1



CITY OF HOUSTON

Planning and Development Department
Post Office Box 1562 Houston, Texas 77251 713/754-0001

Lee P. Brown, Mayor

CITY COUNCIL MEMBERS: Bruce Iatro Michael J. Yarbrough Martha J. Wong Jew Don Boney, Jr. Rob Todd Ray F. Driscoll Jean Kelley Feltz Fraga
John E. Castillo Annise D. Parker Joe Roach Orlando Sanchez Chris Bell Carroll G. Robinson CITY CONTROLLER: Sylvia R. Garcia

December 3, 1998

Odysseus M. Lanier, President
Empirical Management Services
8323 Southwest Freeway, Suite 510
Houston, Texas 77074

Dear Mr. Lanier:

We have reviewed your report draft of the recent audit of the travel and travel-related expenses for the City of Houston's Planning and Development Department. The purpose for this audit was to determine the department's compliance with AP No. 2-5; although Finding 5 which discusses inconsistencies in citywide policy and procedures rather than non-compliance in the policy by this department. Procedural changes have been made to remedy all findings, except Finding 5. We will work with the Finance and Administration Department to review citywide policy.

The following are responses to each finding.

1. Finding:

The EMS review team noted that in 21 instances, travel forms had not been approved as required by the travel policy. The policy requires that designated authorities approve employees' requests for travel, travel advances, and travel expense reimbursements.

Department Response:

Travel authorization request and travel expense report forms are submitted for approval prior to processing by the accounting section.

2. Finding:

Classification of travel expenses is inconsistent within and among City departments.

Department Response:

The Planning and Development Department's use of object codes is consistent. Citywide inconsistencies cannot be addressed by this department.

3. Finding:

The Department does not have an efficient method of referencing and identifying all transaction vouchers related to specific trips.

*Views of Responsible
Officials*

EXHIBIT 1

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Department Response:

Travel documents are maintained according to the policy and are sufficiently cross-referenced for department use. The travel policy does not provide a particular method for referencing transactions.

4. Finding:

The EMS review team noted that 9 out of 77 expense reports were completed more than 10 days after the trip. In one case, the employee signed the expense report prior to taking the trip. The travel policy requires employees to complete an expense report no later than 10 days after completion of the trip.

Department Response:

The department is enforcing the 10 day rule for employees who receive travel advances.

5. Finding:

The Request for Travel Advance contains a statement requiring employees to comply with the 10-day rule. The statement on the RTA is worded differently than the one in the travel policy. The wording on the RTA reads: "I agree to submit all required expense statements within ten (10) working days of my return..." However, the wording in the travel policy reads: "Employees are required to complete a Travel Expense Report and Travel-related Log, no later than 10 days after completion of trip."

Department Response:

The inconsistencies between the policy and the RTA form cannot be addressed by this department.

6. Finding:

The review team noted several instances of noncompliance with the policy's per diem meal allowance provisions. The policy states, "...employees will be reimbursed for actual expenses at a maximum average daily rate of \$40.00 (including taxes and tips)...Employees will be reimbursed for actual meal expenses on days that they are traveling to or returning from their travel destination....The policy allows employees to average meal charges for full days spent at the travel location.

Department Response:

The department is adhering to meal allowance provisions per travel policy.

7. Finding:

On 44 out of 77 vouchers, the employee or supervisor did not date the TAR or the TER&L.

Department Response:

There is no policy requirement that forms be dated; however, the accounting section date stamps all incoming forms and employees and supervisors have been instructed to date all travel documents.

*Views of Responsible
Officials*

EXHIBIT 1

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If you have any questions or comments regarding the responses, please contact Marcia Wilson at (713) 837-7732.

Sincerely,



Robert M. Litke
Director

**Views of Responsible
Officials**