

OFFICE OF THE CITY CONTROLLER



**PUBLIC WORKS AND ENGINEERING DEPARTMENT
TRAVEL AND TRAVEL-RELATED EXPENSES
COMPLIANCE REVIEW
FOR THE PERIOD OF JULY 1, 1998
THROUGH SEPTEMBER 30, 1999**

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

July 7, 2000

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

SUBJECT: Public Works and Engineering Department
Travel and Travel-Related Expenses – Compliance Review
(Report No. 00-10)

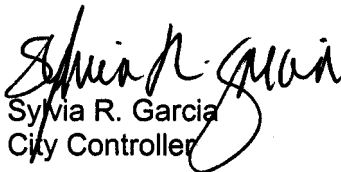
Dear Mayor Brown:

In accordance with the City's contract with McConnell, Jones, Lanier, and Murphy (MJLM), MJLM has completed a review of travel and travel-related expenses incurred by the Public Works and Engineering Department (the Department) for the period of July 1, 1998 through September 30, 1999.

MJLM 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 overall with the travel policy. However, specific instances of noncompliance were noted and MJLM made recommendations that can help the Department 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 I.

We appreciate the cooperation extended to the MJLM 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
Cheryl Dotson, Chief of Staff, Mayor's Office
Sara Culbreth, Acting Director, Finance and Administration Department
Thomas J. Rolen, Acting Director, Public Works and Engineering Department

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McCONNELL JONES LANIER & MURPHY^{LLP}
CONSULTANTS & BUSINESS ADVISORS

June 27, 2000

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 McConnell, Jones, Lanier, and Murphy's (MJLM) compliance review of the travel and travel-related expenses of the City of Houston's Department of Public Works and Engineering (the Department) for the period July 1, 1998 through September 30, 1999. Our review was conducted in accordance with the Engagement Letter between the City of Houston and MJLM dated December 21, 1999.

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 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. However, we noted specific instances of noncompliance and have made recommendations that can help the Department improve its 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,

A handwritten signature in black ink, appearing to read 'Odysseus Lanier', written in a cursive style.

Odysseus Lanier
Partner

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1.0 EXECUTIVE SUMMARY

McConnell, Jones, Lanier & Murphy, LLP (MJLM) performed a compliance review of the travel and travel-related expenses of the City of Houston's (the City) Department of Public Works and Engineering (the Department) for the period July 1, 1998 through September 30, 1999. 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. The review also included determining whether travel expenses were supported, computed, approved, recorded, and reported properly.

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

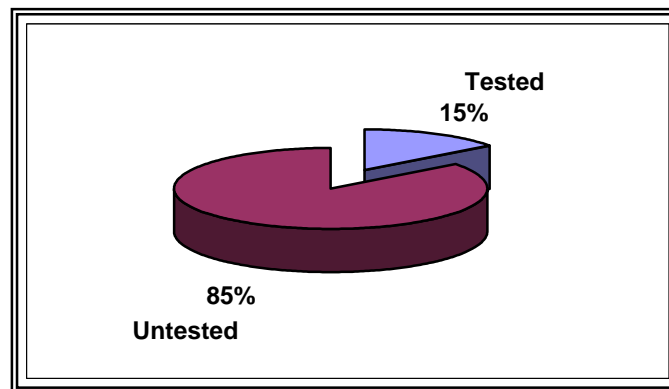
- 1.0 Executive Summary
- 2.0 Background
- 3.0 Current Situation
- 4.0 Findings and Recommendations
- 5.0 Appendix

To test the Department's compliance with the travel policy, MJLM employed various techniques and review procedures. Our methodology included randomly selecting a sample of travel vouchers for testing and developing testing criteria from the travel policy.

Review Methodology

MJLM obtained a list of all of the travel vouchers issued during the review period. From a population of 332 vouchers, 50 were randomly selected for testing. **Exhibit 1** depicts the sample coverage based on the voucher population.

Exhibit 1
Coverage of Travel Vouchers Tested



Source: MJLM Review Team

The test sample included vouchers from object codes 3910 Travel-Training and 3950 Travel-Non-Training. Most travel and travel-related expenses are charged to these object codes. Conference and seminar registration fees and professional organization membership fees are charged to object codes 3900 Education and Training and 3905 Memberships, respectively. Expenses charged to these object codes were not tested. Instead, descriptions of the charges

made to these codes were examined to determine if travel expenses had been misclassified. Based on the descriptions provided, no instances were noted where travel expenses appeared to be misclassified to object code 3905 Memberships. However, several instances were noted of miscodings to object 3900. These exceptions are discussed in section 4.0 Findings and Recommendations.

To develop compliance test criteria, MJLM obtained a copy of A.P. No. 2-5, identified 65 specific requirements in the policy, and developed compliance-related questions from the requirements. 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). The maximum average daily rate of \$50.00 (including taxes and tips) has been established for the following metropolitan area: Boston, Massachusetts... Washington, D.C.”

From this requirement, MJLM developed the question: “Are actual meal charges (including taxes and tips) for the period of travel equal to or below allowed per diem rates?” These questions were applied to each voucher with “yes,” indicating compliance, “no,” indicating noncompliance, and “N/A,” indicating that the question did not apply to that particular voucher. For example, per diem meal charge questions did not apply to vouchers for conferences if meal charges were included in the registration fee. See Appendix 5.0 for a complete list of these questions. The Department could use this list of questions to develop a voucher review checklist.

CONCLUSION

Overall, the Department was in compliance with A.P. No. 2-5 during the review period. However, MJLM noted specific instances of departure from the travel policy that are discussed in the findings and recommendations section below.

Summary of Findings and Recommendations

FINDING

Expense reports were completed more than 10 days after the trip for 24 of 49 vouchers.

Recommendation 1

Enforce the City’s travel policy that requires the completion of an expense report no later than 10 days after completion of a trip.

FINDING

Travel expenses were misclassified on 11 of 50 travel vouchers.

Recommendation 2

Encourage correct classification of travel expenses by carefully reviewing travel-related object codes for misclassified expenses.

FINDING

Proper approvals were not obtained on travel documents for 7 of 40 vouchers. In four of these instances, the Travel Authorization Request was completed and approved *after* the trip.

Recommendation 3

Comply with travel policy provisions requiring approval of travel documents, particularly as they relate to approving travel before it begins.

FINDING

In two instances, ineligible travel expenses were charged to the City and were reimbursed. In one instance, the employee charged an alcoholic beverage. In the other, the employee returned a rental car two days after business travel ended, yet charged the additional rental fees to the City.

Recommendation 4

Enforce travel policy provisions prohibiting employees from charging ineligible travel expenses to the City.

FINDING

For 3 of 45 vouchers, on which meals were charged, the maximum daily meal allowance was exceeded during full days of travel.

Recommendation 5

Reiterate travel-policy meal allowance provisions to ensure employees understand and apply them uniformly.

FINDING

In 4 of the 23 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the expense report. The travel policy states in section 7.7.1 that when reimbursement is requested, employees must attach a copy of the canceled airline ticket stub to the expense report.

Recommendation 6

Require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to the expense report.

FINDING

In 2 of 45 instances, amounts charged on the expense report were not supported by related receipts.

Recommendation 7

Enforce travel policy provisions requiring that receipts accompany the expense report when it is submitted for reimbursement.

FINDING

For 24 of the 50 vouchers, the authority, the employee, or both did not date travel forms.

Recommendation 8

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

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, revised May 1, 1999, 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 and not eligible for reimbursement. The policy applies to all salaried and nonsalaried City employees and to all elected officials.

The City incurred \$4.6 million in travel and travel-related expenses during the review period July 1, 1998 to September 30, 1999. **Exhibit 2** presents total citywide travel and travel-related expenses incurred during this period. The City's fiscal year runs from July 1 through June 30.

Exhibit 2
The City of Houston
Total Travel and Travel-related Expenses
July 1, 1998 through September 30, 1999

Object Code	Total
3910 Travel-Training	\$2,919,688
3950 Travel Non-Training	\$1,670,243
Total Travel Expenses	\$4,589,931

Source: City of Houston Controller's Office

The Department of Public Works and Engineering is responsible for the design, construction and maintenance of the City's infrastructure, which includes water and sewer facilities, streets, ditches, sidewalks, and traffic control. These responsibilities are carried out through seven divisions.

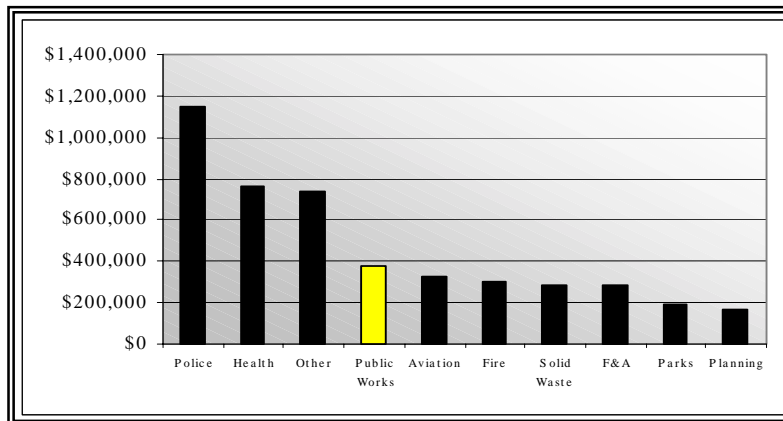
The Department incurred \$374,753 in travel and travel-related expenses during the review period. This amount represents 8 percent of the City's total travel and travel-related expenses. **Exhibit 3** presents total travel and travel-related expenses incurred by the Department during the review period. **Exhibit 4** compares the Department's travel and travel-related expenses to those of other City departments for the review period.

Exhibit 3
Department of Public Works and Engineering
Travel and Travel-related Expenses
July 1, 1998 through September 30, 1999

Object Code	Total
3910 Travel-Training	\$166,940
3950 Travel Non-Training	\$207,813
Total Travel Expenses	\$374,753

Source: City of Houston Controller's Office

Exhibit 4
The City of Houston
Travel and Travel-related Expenses by Department
July 1, 1998 through September 30, 1999

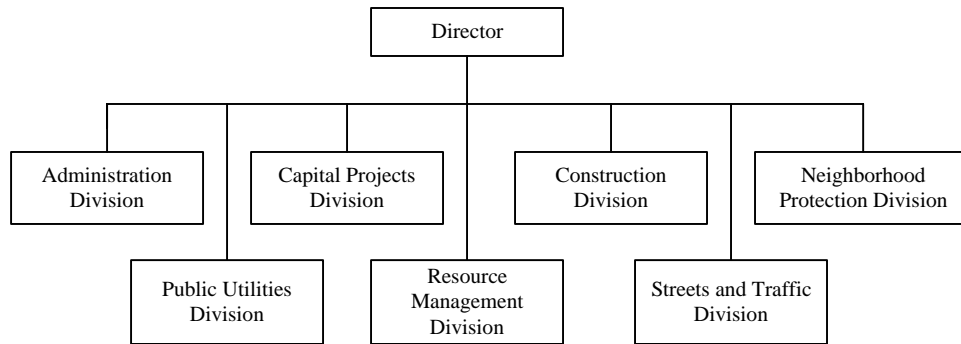


Source: City of Houston Controller's Office

3.0 CURRENT SITUATION

The Director of the Department of Public Works and Engineering is responsible for the overall management of the Department and its staff of approximately 4000 employees. **Exhibit 5** presents the Department's organization chart.

Exhibit 5
Department of Public Works and Engineering Organization Chart



Source: The Department of Public Works and Engineering.

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

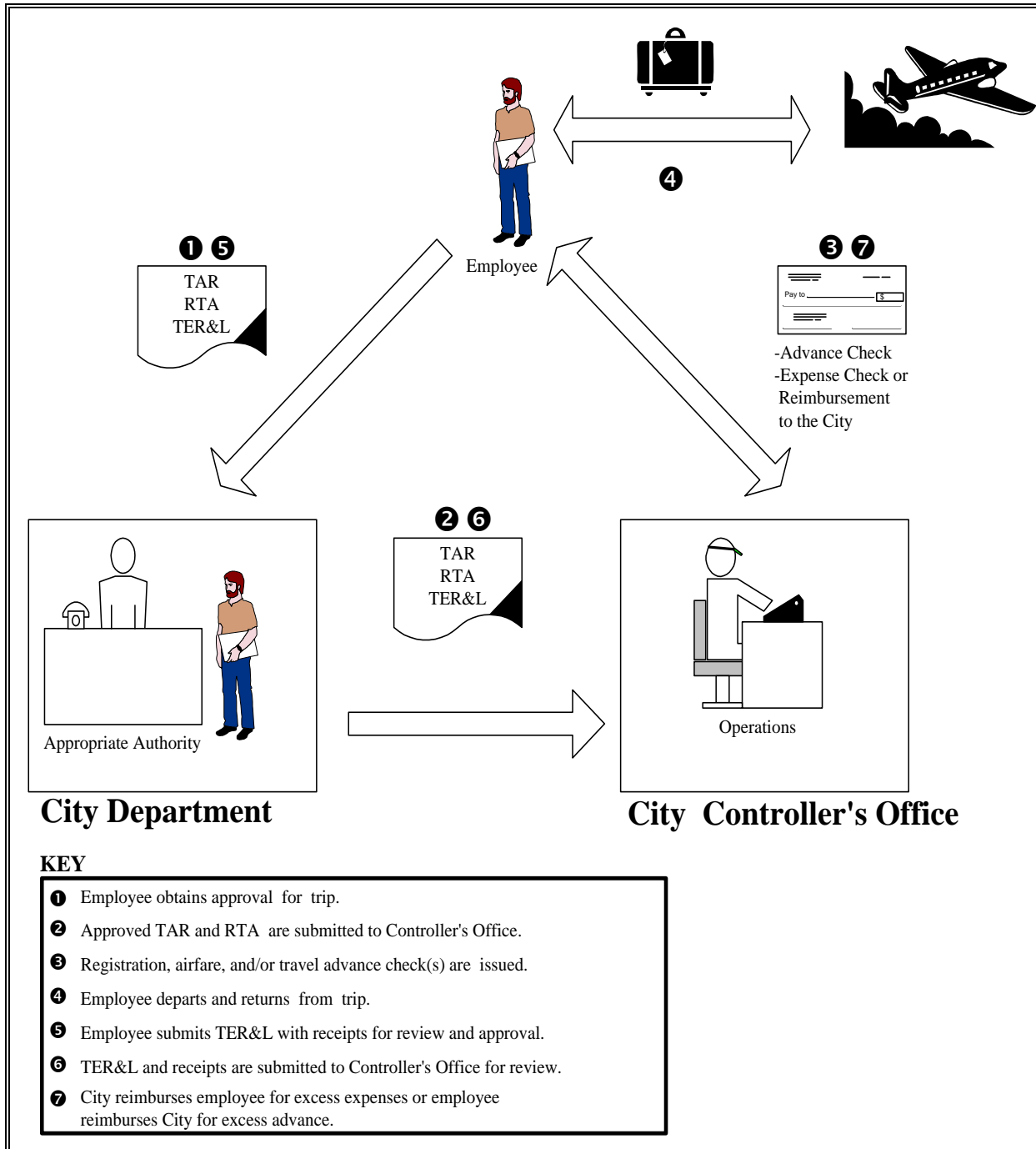
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

Employees must use a TAR to obtain approval for local and out-of-town travel. Effective May 1, 1999, department directors are required to submit an Appendix E, "Department Director's Personal Leave & Itinerary to Attend Conventions, Conferences, Workshops, and Business-Related Meetings", in addition to the TAR. 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 6** depicts the general flow of the travel authorization and reimbursement process.

**Exhibit 6
Travel Authorization and Reimbursement Process**



Source: MJLM Review Team

4.0 FINDINGS AND RECOMMENDATIONS

FINDING

Expense reports were completed more than 10 days after the trip for 24 of 49 vouchers. The City's travel policy states in section 9.2 that employees are required to complete a TER&L no later than 10 days after completion of a trip. In the instances noted, expense reports were completed between 1 and 145 days after the 10 days expired. The purpose of the 10-day rule is to ensure that travel expenses are recorded and excess travel advances are promptly returned to the City.

Exhibit 7 presents those vouchers that were not in compliance with the 10-day rule.

Exhibit 7
Vouchers Not in Compliance with the 10-day Rule

Transaction Reference	Date Trip Completed	Date TER&L Completed	Days Overdue
PV2099100000483	9/23/98	2/25/99	145
PV2099100000792	4/1/99	5/19/99	38
PV20992015775	11/20/98	1/4/99	35
PV2099100000633	2/16/99	3/26/99	28
PV2099100000473	2/3/99	3/1/99	16
PV2099100000113	12/17/98	1/12/99	16
JV2099200003	7/31/98	8/20/98	10
PV2099100000879	4/9/99	4/29/99	10
PV20992000508	9/17/98	10/5/98	8
PV20002000037CL	6/13/99	6/30/99	7
PV20992000183	7/12/98	7/27/98	5
PV20992000083	6/25/98	7/10/98	5
PV2099100000671	4/1/99	4/16/99	5
JV2099201244	8/7/98	8/20/98	3
PV2099100000303	1/21/99	2/3/99	3
PV20992000059	7/2/98	7/14/98	2
PV20992000246	7/17/98	7/29/98	2
PV209910000621	3/31/99	4/12/99	2
PV20992000654	10/8/98	10/19/98	1
PV2099100000519	3/11/99	3/22/99	1
PV2099100000622	4/1/99	4/12/99	1
PV2099100000325	1/23/99	2/3/99	1
PV2099100000917	4/1/99	4/12/99	1
PV20002000046CL	6/11/99	6/22/99	1

Source: MJLM Review Team

Recommendation 1

Enforce the City’s travel policy that requires the completion of an expense report no later than 10 days after completion of a trip.

Timely completion and submission of the TER&L for processing is an important internal control that helps the Department ensure that travel reimbursements are promptly issued and recorded.

FINDING

Travel expenses were misclassified on 11 of 50 travel vouchers. Generally, the City codes travel expenses for training seminars, conferences, and schools to 3910 Travel-Training Related if the event is intended to enhance the employee’s job skills. Otherwise, travel costs are charged to Travel-Non-Training Related. Consolidated city reports and comparisons of travel expenses are meaningless if departments do not code travel expenses properly and consistently. **Exhibit 8** presents classification errors noted during the review.

**Exhibit 8
Travel Expense Classification Errors**

Transaction Reference	Description	Expenses Coded to	Expenses should have been Coded to	Explanation
PV20992000165	U.S. Conference of Mayors	3910	3950	Travel was to attend an annual meeting of U.S. Mayors. Expenses should have been coded to 3950 since travel was not training related.
PV20992000083	American Water Works Association – Annual Conference and Exposition	3910	3950	Conference and exposition expenses should have been coded to 3950 since the events are not training related.
PV20992000085	TNRCC – Drinking Water Advisory Workgroup	3910	3950	Travel was to attend a meeting, which was not training related.
PV20992000087	TNRCC – Public Forum Meeting	3910	3950	Travel was to attend a public forum meeting, which was not training related.
PV20992000084	TNRCC – Comprehensive Performance Evaluation Team Meeting.	3910	3950	Travel was to attend a meeting, which was not training related.
PV20992000415	TNRCC – Committee Meeting	3910	3950	Travel was to attend a meeting, which was not training related.

**Exhibit 8 (Continued)
Travel Expense Classification Errors**

Transaction Reference	Description	Expenses Coded to	Expenses should have been Coded to	Explanation
PV2099100000579	National Forum For Black Public Administrators – Annual Conference	3950	3910	The description of the event on the TAR refers to training sessions. Therefore, the travel expenses should have been coded to 3910.
PV2099100000621	National Forum For Black Public Administrators – Annual Conference	3950	3910	Travel was to attend an annual conference designed to enhance professional skills. Travel expenses were not coded consistently. The reimbursement of travel expenses was correctly charged to 3910, but the travel advance was incorrectly charged to 3950.
PV2099100000879	AWWA Texas Section – Texas Water 99	3950	3910	The description of the event on the TAR indicated that the employee would attend seminars, which are training related. Therefore, travel expenses should have been coded to 3910.
PV2099100000880	AWWA Texas Section – Texas Water 99	3950	3910	The description of the event on the TAR indicated that the employee would attend seminars, which are training related. Therefore, travel expenses should have been coded to 3910.
PV2099100000917	National Forum For Black Public Administrators – Annual Conference	3950	3910	The description of the event on the TAR refers to training sessions. Therefore, the travel expenses should have been coded to 3910.

Source: MJLM Review Team

Object Code Descriptions

3910 Travel-Training

3950 Travel-Non-Training

In addition, four instances of travel expense misclassifications were noted during a cursory review of object code 3900 Education and Training. Although actual vouchers were not examined, descriptions provided in the account detail indicate that the expenses should have been charged to 3910 Travel-Training or 3950 Travel-Non-Training. These exceptions are summarized in

Exhibit 9.

Exhibit 9
Miscodings to 3900 Education and Training

Transaction Reference	Description	Expenses Coded to	Expenses should have been Coded to	Amount
PV20992015617	Lodging/Airfare/Meals	3900	3910 or 3950	\$480.90
PV20992015746	Travel Advance/ Jan 24-29	3900	3910 or 3950	\$625.00
PV20992015745	Travel Advance/ Jan 24-29	3900	3910 or 3950	\$625.00
PV20992022558	Travel Reimb. 12-16-98	3900	3910 or 3950	\$219.00

Source: MJLM Review Team

Recommendation 2

Encourage correct classification of travel expenses by carefully reviewing travel-related object codes for misclassified expenses.

FINDING

Proper approvals were not obtained on travel documents for 7 of 40 vouchers. In four of these instances, the TAR was completed and approved *after* the trip. For example, in one case the employee signed the TAR on 6/29/98, and the authority approved it on 7/17/98. However, the employee completed the trip on 6/22/98.

Section five of the policy establishes responsibilities for approval of travel documents and requires department directors or their designees to approve travel documents for their subordinates. When designated authorities do not approve travel documents, the intent of the travel policy is defeated, and an environment conducive to abuse is created. **Exhibit 10** summarizes the exceptions.

Exhibit 10
Travel Documents Not Properly Approved

Transaction Reference	TAR	RTA	TER&L	Explanation
PV20992000165	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TAR was completed and approved <i>after</i> the trip, and the authority did not approve the expense report.
PV2099100000303	<input checked="" type="checkbox"/>			TAR was completed and approved <i>after</i> the trip.
PV2099100000652	<input checked="" type="checkbox"/>			TAR was completed and approved <i>after</i> the trip.
PV2099100000887	<input checked="" type="checkbox"/>			TAR was completed and approved <i>after</i> the trip.
PV20992000508			<input checked="" type="checkbox"/>	The authority did not approve the expense report.
PV20992015775			<input checked="" type="checkbox"/>	The authority did not approve the expense report.
PV2099100000202			<input checked="" type="checkbox"/>	The authority did not approve the expense report.

Source: MJLM Review Team

-Designates the travel document that was not properly approved.

Recommendation 3

Comply with travel policy provisions requiring approval of travel documents, particularly as they relate to approving travel before it begins.

Proper approval of expenditures by the appropriate authorities is an important internal control. If this control is not operating effectively, an atmosphere that encourages abuse may result. The Department should strictly enforce the travel policy's authorization provisions. All travel documents should be carefully reviewed to ensure that the appropriate authority has approved them.

FINDING

In two instances, ineligible travel expenses were charged to the City and were reimbursed. In one instance, the employee charged an alcoholic beverage. In the other, the employee returned a rental car two days after business travel ended, yet charged the additional rental fees to the City.

Sections 8.1 and 8.2 of the travel policy state that charges for alcoholic beverages, employee time and expenses, and personal entertainment expenses are ineligible travel expenses and will not be reimbursed. **Exhibit 11** provides details of these exceptions.

Exhibit 11
Ineligible Travel Expenses Charged to the City

Transaction Reference	Description of Expense	Ineligible Amount
PV20992015775	Alcoholic Beverage	\$2.79
PV2099100000621	Two additional days of auto rental after business travel ended.	\$61.38

Source: MJLM Review Team

* Obtained through review of meal receipt.

Recommendation 4

Enforce travel policy provisions prohibiting employees from charging ineligible travel expenses to the City.

The Department should carefully monitor instances in which employees charge ineligible expenses on the expense report and require employees to promptly reimburse such expenses when they are discovered.

FINDING

For 3 of 45 vouchers, on which meals were charged, the maximum daily meal allowance was exceeded during full days of travel. According to the travel policy, employees are reimbursed for actual expenses at a maximum average daily rate of \$40.00 or \$50.00, depending on the travel location. On the day of travel and return, the policy requires employees to charge *actual* meal expenses not to exceed the daily maximum of \$40.00 or \$50.00, depending on the location. Except for the day of departure and day of return, daily meals may be averaged over the total

number of full travel days, thus allowing an employee to underspend on some days and overspend on others.

Section 7.2.3 of the travel policy states that employees should only be reimbursed for meals purchased after they begin and before they end business travel. The intent of this provision is to prevent charges for meals taken while employees are engaged in activities unrelated to city business.

Exhibit 12 summarizes these exceptions.

**Exhibit 12
Excessive Meal Charges**

Transaction Reference	Average Meals Charged*	Maximum Allowed	Excess Meals Charged
PV2099100000473	\$43.56	\$40.00	\$3.56
PV20992000209	\$40.67	\$40.00	\$.67
PV20002000046CL	\$40.45	\$40.00	\$.45

Source: MJLM Review Team

** Meal charges include taxes and tips.*

Recommendation 5

Reiterate travel-policy meal allowance provisions to ensure employees understand and apply them uniformly.

Expense reports should be thoroughly reviewed to ensure that only allowable meal expenses are reimbursed. Excessive meal charges as well as meal charges incurred before city business begins and after city business ends should be disallowed.

FINDING

In 4 of the 23 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the TER&L. The travel policy states in section 7.7.1 that when reimbursement is requested, employees must attach a copy of the canceled airline ticket stub to the TER&L. If the canceled ticket stub is not available, a certified copy of the canceled ticket prepared by the airline may be substituted. In the instances noted, there was no canceled ticket stub, or certified copy of the canceled ticket prepared by the airline, attached to the TER&L. It is possible that in the instances noted employees flew ticketless; however, the policy does not address documentation requirements for ticketless flights.

Recommendation 6

Require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to the expense report.

Departmental personnel responsible for reviewing employees’ expense reports should thoroughly review all supporting documentation to ensure that all information required by the policy has been included with the travel voucher. If the required documentation has not been included, the

Department should obtain the information before the travel voucher is submitted to the Controller’s Office for processing.

FINDING

In 2 of 45 instances, amounts charged on the expense report were not supported by related receipts. Section 9.2 of the travel policy requires that receipts accompany the expense report when it is submitted for reimbursement. This provision applies to all expenses except meals, tips, ground transportation under \$20, and private automobile mileage. **Exhibit 13** summarizes these exceptions.

**Exhibit 13
Expenses Not Supported by Receipts**

Transaction Reference	Description	Amount Overcharged
PV20992000165	Employee charged \$118.81 for hotel room, but the amount on the hotel receipt supports a charge of only \$97.01.	\$21.80
PV2099100000202	Employee charged \$152.52 for office supplies, but the receipt supports a charge of only \$125.52	\$27.00

Source: MJLM Review Team

Recommendation 7

Enforce travel policy provisions requiring that receipts accompany the expense report when it is submitted for reimbursement.

The department should deny reimbursement of all charges that are not supported by related receipts. This requirement would exclude charges for which receipts are not required, such as meals, tips, ground transportation under \$20, and private automobile mileage.

FINDING

For 24 of the 50 vouchers, the authority, the employee, or both did not date travel forms. While, the policy does not specifically require employees or authorities to date travel forms, it is implied because the forms have a place for a date. The Department cannot successfully monitor compliance with certain travel policy provisions if travel forms are not dated. For example, the purpose of the TAR is to approve travel before expenses are incurred. There is no way to determine if travel is being approved prior to trips unless both the employee and authority date the TAR. Additionally, employees must submit expense reports within 10 days of completing a trip. Compliance with this provision cannot be monitored unless employees date the TER&L. **Exhibit 14** presents those forms not dated by the authority or employee.

Exhibit 14
Forms Not Dated by the Authority or Employee

Transaction Reference	Form(s) Not Dated	Not Dated by Authority	Not Dated by Employee
PV20992015775	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV2099100000113	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV2099100000202	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV2099100000622	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV2099100000652	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV2099100000719	TAR	<input checked="" type="checkbox"/>	
PV20002000037CL	TAR	<input checked="" type="checkbox"/>	
PV2099100000887	TER&L	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PV20992000059	TER&L	<input checked="" type="checkbox"/>	
PV20992000165	TER&L	<input checked="" type="checkbox"/>	
PV20992000183	TER&L	<input checked="" type="checkbox"/>	
PV20991000143	TER&L	<input checked="" type="checkbox"/>	
PV20992000508	TER&L	<input checked="" type="checkbox"/>	
PV20992000372	TER&L	<input checked="" type="checkbox"/>	
PV2099100000343	TER&L	<input checked="" type="checkbox"/>	
PV2099100000344	TER&L	<input checked="" type="checkbox"/>	
PV2099100000579	TER&L	<input checked="" type="checkbox"/>	
PV2099100000594	TER&L	<input checked="" type="checkbox"/>	
PV2099100000607	TER&L	<input checked="" type="checkbox"/>	
PV2099100000621	TER&L	<input checked="" type="checkbox"/>	
PV2099100000633	TER&L	<input checked="" type="checkbox"/>	
PV2099100000671	TER&L	<input checked="" type="checkbox"/>	
PV2099100000792	TER&L	<input checked="" type="checkbox"/>	
PV20002000046CL	TER&L	<input checked="" type="checkbox"/>	

Source: MJLM Review Team

Recommendation 8

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

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.	If travel was outside the contiguous 48 states, did the Mayor or his designee approve it?
6.	If the department director traveled, did they submit an Appendix E to the Chief Administrative Officer or their designee?
7.	Does TAR include a clear explanation of the business purpose?
8.	Was the RTA submitted to the City Controller at least five working days prior to anticipated departure?
9.	If traveling with spouse and/or family members, has employee borne their expenses?
10.	If traveling with spouse and/or family members, has employee borne the incremental cost of lodging?
11.	Are average actual meal charges (including taxes and tips) for the period of travel equal to or below allowed per diem rates?
12.	Did employee exclude per diem charges and charge only actual for day of departure and day of return?
13.	Did employee exclude per diem charges and charge only actual for one-day business trips?
14.	Were meals charged only after the employee began business and before employee ended business travel?
15.	Are cost of meals reasonable based on the time of the day traveled?
16.	If the employee has charged the cost of a conference/convention-related meal, has a receipt showing the cost of the meal been attached?
17.	If the employee has charged the cost of a related meal, has a conference/convention brochure showing the cost of the meal been attached?
18.	During the day of the conference/convention, were other meals charged at actual and not per diem?
19.	Was the cost of other meals taken during that day less than \$40.00?
20.	Was the cost of other meals taken during that day reasonable based on travel location?
21.	Has the cost of these "exception" days been excluded from the computation of the average per diem?
22.	Are parking fees in excess of \$10.00 per parking event supported by a receipt?
23.	If parking receipts are not available, has a 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?
24.	Has the City received the benefit of credits or adjustments made to hotel bills, parking receipts, meal receipts, etc?
25.	If parking meter charges were submitted, has employee logged the time, general location, and amount deposited in the meter?
26.	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 (Continued)

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

Compliance Questions Developed from Travel Policy (Continued)

Question	Description
56.	Is expenditure supported by a TER&L?
57.	Was the TER&L approved by the proper authority?
58.	Was the TER&L dated by the authority?
59.	Was the TER&L signed by the employee?
60.	Was the TER&L dated by the employee?
61.	Has the TER&L been completed within 10 days after completion of the trip?
62.	Is TER&L report supported by related receipts?
63.	Is evidence attached to the TER&L indicating that reimbursements to the City were deposited promptly?
64.	Did City employee or authorized non-employees under contract to perform services for the City complete the TAR?
65.	Have the various travel & entertainment expenses been charged to the proper accounts in the proper period?

EXHIBIT 1



CITY OF HOUSTON

Post Office Box 1562 Houston, Texas 77251-1562

Lee P. Brown, Mayor

CITY COUNCIL MEMBERS: Bruce Tatro Carol M. Galloway Mark Goldberg Jew Don Boney, Jr. Rob Todd Mark A. Ellis Bert Keller Gabriel Vasquez
John E. Castillo Annise D. Parker Gordon Quan Orlando Sanchez Chris Bell Carroll G. Robinson CITY CONTROLLER: Sylvia R. Garcia

May 23, 2000

Mr. Odysseus Lanier
Managing Partner
McConnell, Jones, Lanier & Murphy, LLP
Summit Tower, 11 Greenway Plaza, Suite 2902
Houston, Texas 77046

Dear Mr. Lanier:

We have reviewed your draft audit report of the travel and travel-related expenses of the City of Houston's Department of Public Works and Engineering for the period July 1, 1998 through September 30, 1999. We agree with your findings and recommendations, and offer the following specific responses:

Finding 1

Expense reports were completed more than 10 days after the trip for 24 of 49 vouchers.

Response

We agree with your recommendation to enforce the City's travel policy that requires the completion of an expense report no later than 10 days after the completion of a trip. We will notify employees that strict adherence to the travel policy is expected.

Finding 2

Travel expenses were misclassified on 11 of 50 travel vouchers.

Response

We agree with your recommendation to carefully review travel expenses for proper classification between travel-training, and travel-non-training. We will thoroughly review future travel requests to ensure the proper classification of travel.

*Views of Responsible
Officials*

EXHIBIT 1

Finding 3

Proper approvals were not obtained on travel documents for 7 of 40 vouchers. In four of these instances, the Travel Authorization Request was completed and approved after the trip.

Response

We agree with your recommendation to comply with travel policy provisions requiring approval of travel documents, particularly as they relate to approving travel before it begins. We will ensure that future travel is pre-approved.

Finding 4

Ineligible travel expenses were charged to the city and reimbursed.

Response

We agree with your recommendation to enforce travel policy provisions prohibiting employees from charging ineligible travel expenses to the City. Expense reports will be thoroughly reviewed in the future to ensure that ineligible expenses such as the \$2.79, and \$61.38 in question are not reimbursed. Additionally, we will request reimbursement from those individuals still employed by the City.

Finding 5

For 3 of 45 vouchers, on which meals were charged, the maximum daily meal allowance was exceeded during full days of travel.

Response

We agree with your recommendation to reiterate travel policy meal allowance provisions to ensure employees understand and apply them uniformly. We will thoroughly review expense reports to ensure that in the future, excess meal charges such as the \$3.56, \$0.67, and \$0.45 in question are not reimbursed. Additionally, we will request reimbursement from those individuals still employed by the City.

Finding 6

In 4 of the 23 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the expense report.

Response

We agree with your recommendation to require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to the expense report. Expense reports will be

*Views of Responsible
Officials*