

**OFFICE OF THE CITY CONTROLLER**



**AVIATION DEPARTMENT  
TRAVEL AND TRAVEL-RELATED EXPENSES  
COMPLIANCE REVIEW  
FOR THE PERIOD OF JULY 1, 1997  
THROUGH SEPTEMBER 30, 1998**

**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

December 3, 1999

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

SUBJECT: Aviation Department  
Travel and Travel-Related Expenses – Compliance Review  
(Report No. 99-10)

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 Aviation Department (the Department) for the period of July 1, 1997 through September 30, 1998.

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 E. Haines, Chief Administrative Officer  
Jorge Cruz-Aedo, Director, Finance and Administration Department  
Richard M. Vacar, Director, Aviation Department



**McCONNELL JONES LANIER & MURPHY, LLP**  
CONSULTANTS & BUSINESS ADVISORS

November 10, 1999

The Honorable Sylvia R. Garcia  
City Controller  
City of Houston  
901 Bagby, 8<sup>th</sup> 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 Aviation (the Department) for the period July 1, 1997 through September 30, 1998. Our review was conducted in accordance with the Engagement Letter between the City of Houston and MJLM dated December 3, 1998.

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 dark ink, appearing to read 'Odysseus M. Lanier', written in a cursive style.

Odysseus M. 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 Aviation (the Department) for the period July 1, 1997 through September 30,1998. 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 Appendices

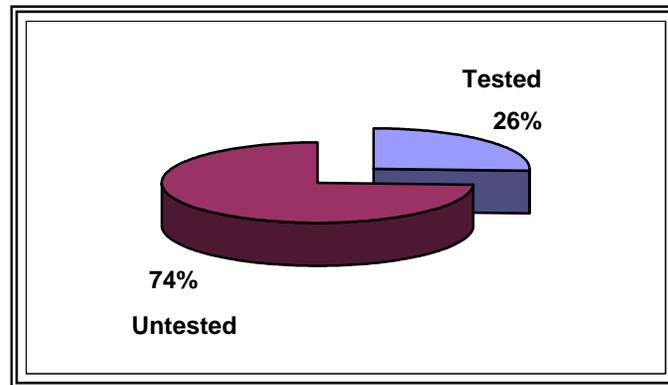
To test the Department’s compliance with the travel policy, MJLM employed various techniques and review procedures. Our methodology included randomly selecting a sample of travel vouchers for testing and developing testing criteria from the travel policy.

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**Review Methodology**

MJLM obtained a list of all of the travel vouchers issued during the review period. From a population of 349 vouchers, 90 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 30910 Travel-Training and 30950 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 30900 Education and Training and 30905 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, where travel expenses appeared to be misclassified to object codes 30900 and 30905, were noted.

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 5.1 for a complete list of these questions.

## **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. In addition, Appendix 5.2 summarizes exceptions by voucher and shows that 16 of 90 vouchers, or 18 percent, were free of exceptions.

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## **Summary of Findings and Recommendations**

### **FINDING**

Travel expenses were misclassified on 30 of the 90 travel vouchers. In each instance, travel expenses for trips to attend training conferences or seminars were charged to 30950 Travel-Non-Training instead of 30910 Travel-Training.

### **RECOMMENDATION**

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

### **FINDING**

For 23 of the 90 vouchers, proper approvals were not obtained on Travel Expense Report and Travel-related Log (TER&L) expense reports. In 14 instances, neither the Mayor nor his designee approved expense reports involving foreign travel as required by section 5.3 of the travel policy. In nine instances, the deputy director of Aviation approved the director of Aviation’s expense report in violation of section 5.4 of the travel policy, which requires that the Mayor’s Chief(s) of staff or designee(s) approve department director travel documents.

**RECOMMENDATION**

**Comply with travel policy provisions regarding approval of the department director's expense reports as well as those involving foreign travel.**

**FINDING**

Expense reports were completed more than 10 days after the trip for 20 of the 90 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.

**RECOMMENDATION**

**Enforce the City's travel policy that requires the completion of a TER&L no later than 10 days after completion of a trip.**

**FINDING**

For eight of the 83 travel vouchers on which meals were charged, the maximum daily meal allowance was exceeded on the day of departure, during full days of travel, or on the day of return. 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.

**RECOMMENDATION**

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

**FINDING**

In 10 of the 78 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.

**RECOMMENDATION**

**Require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to all TER&L reports.**

**FINDING**

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. In two instances, ineligible travel expenses were charged to the City and were reimbursed.

**RECOMMENDATION**

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

**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, recently 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, 1997 to September 30, 1998. **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, 1997 through September 30, 1998**

*Object Code	Total
30910 Travel-Training	\$3,005,925
30950 Travel Non-Training	\$1,557,139
<b>Total Travel Expenses</b>	<b>\$4,563,064</b>

*Source: City of Houston Controller’s Office*

*\*At the beginning of fiscal 1999, object codes for Travel-Training and Travel-Non-Training changed to 3910 and 3950, respectively.*

The Department of Aviation operates and plans the future of the City’s airport system, which is currently comprised of the George Bush Intercontinental Airport Houston (IAH), William P. Hobby Airport, and Ellington Field. The activities of the Department, which include operations, maintenance, planning and construction, public service, and administration are coordinated with airline companies, airport vendors, the Federal Aviation Administration, and other federal and state agencies.

The Department incurred \$253,664 in travel and travel-related expenses during the review period. This amount represents six 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.

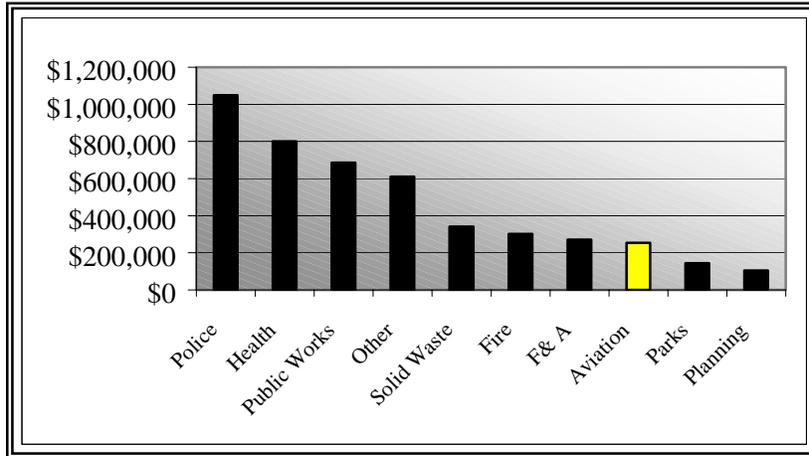
**Exhibit 3**  
**Department of Aviation**  
**Travel and Travel-related Expenses**  
**July 1, 1997 through September 30, 1998**

*Object Code	Total
30910 Travel-Training	\$533
30950 Travel Non-Training	\$253,131
<b>Total Travel Expenses</b>	<b>\$253,664</b>

Source: City of Houston Controller's Office

\*At the beginning of fiscal 1999, object codes for Travel-Training and Travel-Non-Training changed to 3910 and 3950, respectively.

**Exhibit 4**  
**The City of Houston**  
**Travel and Travel-related Expenses by Department**  
**July 1, 1997 through September 30, 1998**

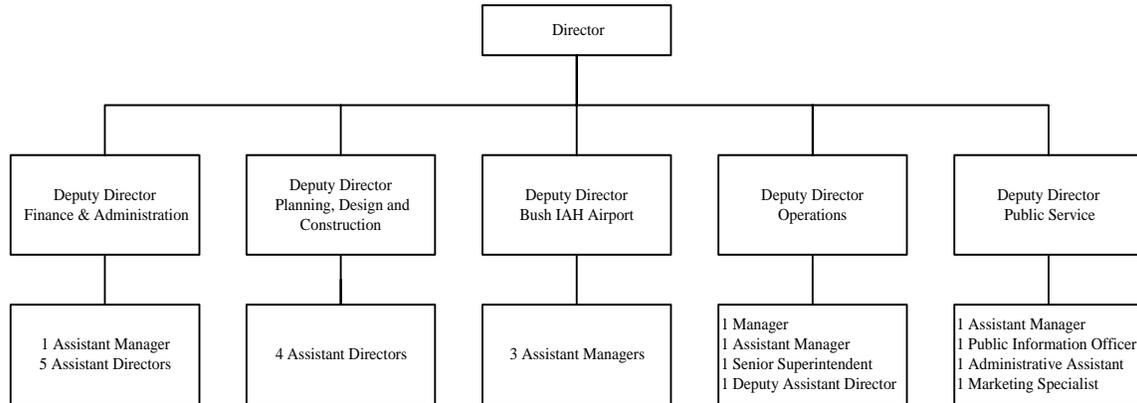


Source: City of Houston Controller's Office

**3.0 CURRENT SITUATION**

The Director of Aviation is responsible for the overall management of the Department and its staff of 1,244 employees. **Exhibit 5** presents the Department's organization chart.

**Exhibit 5  
Department of Aviation Organization Chart**



Source: Department of Aviation

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

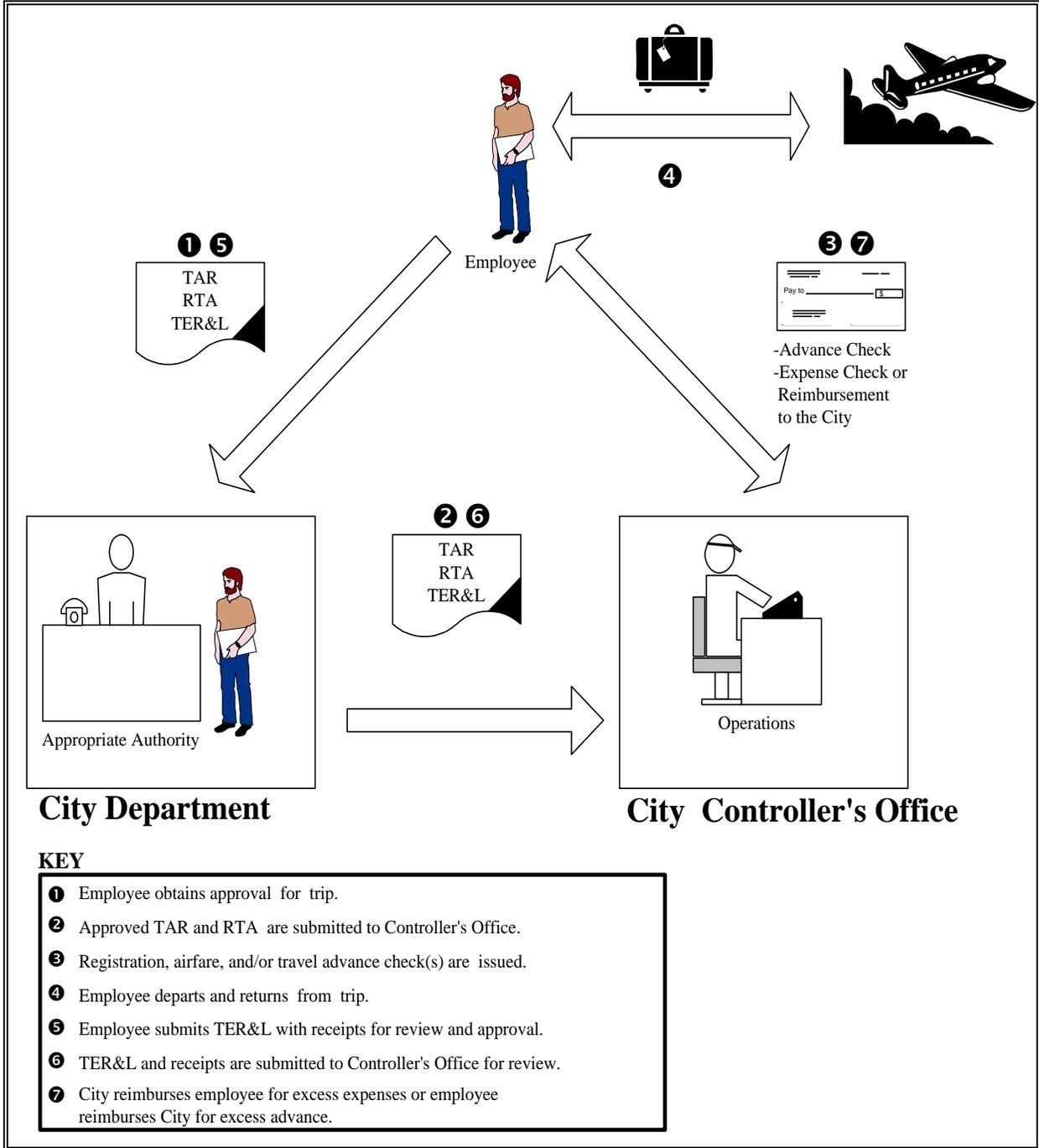
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

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 6** depicts the general flow of the travel authorization and reimbursement process.

**Exhibit 6**  
**Travel Authorization and Reimbursement Process**



**4.0 FINDINGS AND RECOMMENDATIONS**

**FINDING**

Travel expenses were misclassified on 30 of the 90 travel vouchers. In each instance, travel expenses for trips to attend training conferences or seminars were charged to 30950 Travel-Non-Training instead of 30910 Travel-Training. Consolidated City reports and comparisons of travel expenses are meaningless if the Department does not code these expenses properly and consistently. **Exhibit 7** presents classification errors noted during the review.

**Exhibit 7  
Travel Expense Classification Errors**

<b>Reference</b>	<b>Type of Expense</b>	<b>Coded to 30950*</b>	<b>Explanation</b>
PV28982800534	Conference to train officers assigned to the airport	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982800730	CPA continuing education	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982800816	CPA continuing education	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801044	University course focusing on planning and designing aircraft fuel systems.	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801071	Trip to University of New Orleans for professional engineering exam	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801174	Training seminar	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801175	Training seminar	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801292	Trip to a specialist school	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801309	Trip to an accreditation academy	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801310	Trip to a specialist school	●	Travel expenses should have been charged to 30910 Travel-Training.

**Exhibit 7 (Continued)**  
**Travel Expense Classification Errors**

<b>Reference</b>	<b>Type of Expense</b>	<b>Coded to 30950*</b>	<b>Explanation</b>
PV28982801315	Trip to a specialist school	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801356	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801357	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801414	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801545	Trip to a specialist school	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801629	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801642	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801644	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801645	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801646	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801652	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801698	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801701	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801715	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801716	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.

**Exhibit 7 (Continued)  
Travel Expense Classification Errors**

<b>Reference</b>	<b>Type of Expense</b>	<b>Coded to 30950*</b>	<b>Explanation</b>
PV28982801722	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801724	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801725	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982801727	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.
PV28982802459	Annual training conference	●	Travel expenses should have been charged to 30910 Travel-Training.

Source: MJLM Review Team

\*Object Codes

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

**Recommendation 1**

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

**FINDING**

For 23 of the 90 vouchers, proper approvals were not obtained on TER&L expense reports. In 14 instances, neither the Mayor nor his designee approved expense reports involving foreign travel as required by section 5.3 of the travel policy. In nine instances, the deputy director of Aviation approved the director of Aviation’s expense report in violation of section 5.4 of the travel policy, which requires that the Mayor’s Chief(s) of staff or designee(s) approve department director travel documents. In one instance, an RTA was not approved. **Exhibit 8** summarizes these exceptions.

**Exhibit 8  
Expense Reports Not Properly Approved**

<b>Reference</b>	<b>Description</b>	<b>Approved By</b>	<b>Should Have Been Approved By</b>
JV2898280127	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
JV98280119	Foreign Travel	Deputy Director	Mayor or Designee
JV98280053	Foreign Travel	Deputy Director	Mayor or Designee
JV98280064	Foreign Travel	Deputy Director	Mayor or Designee
CR2828010282	Foreign Travel	Deputy Director	Mayor or Designee
PV28982800037	Foreign Travel	Deputy Director	Mayor or Designee
PV28982800354	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982800531	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982800804	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982800827	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982800887	Foreign Travel	Deputy Director	Mayor or Designee
PV28982800943	Foreign Travel	Deputy Director	Mayor or Designee
PV28982801163	Foreign Travel	Deputy Director	Mayor or Designee
PV28982801232	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982801311	Foreign Travel	Deputy Director	Mayor or Designee
PV28982801471	Foreign Travel	Deputy Director	Mayor or Designee
PV28982802202	Foreign Travel	Deputy Director	Mayor or Designee
PV28982802213	Foreign Travel	Deputy Director	Mayor or Designee
PV28982802299	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982802385	Foreign Travel	Deputy Director	Mayor or Designee
JV2899280025	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee
PV28982802673	Foreign Travel	Deputy Director	Mayor or Designee
PV28992800073	Director's Expense Report	Deputy Director	Mayor's Chief of Staff or Designee

Source: MJLM Review Team

When authorized employees do not approve expense reports, the intent of the travel policy is defeated, and an environment conducive to abuse is created.

**Recommendation 2**

**Comply with travel policy provisions regarding approval of the department director's expense reports as well as those involving foreign travel.**

Fulfilling the travel policy's paperwork requirements is often time-consuming and inconvenient, particularly for employees who travel frequently. However, proper approval of expenditures by the appropriate authorities is an important internal control. If this control is eliminated due to

time constraints or inconvenient paperwork requirements, an atmosphere that encourages abuse results. The Department should strictly enforce the travel policy’s authorization provisions related to the department director’s expense reports and those involving foreign travel. Any expense report involving the director or foreign travel should be flagged and reviewed carefully to ensure that the appropriate authority has approved it.

**FINDING**

Expense reports were completed more than 10 days after the trip for 20 of the 90 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 214 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 9 presents those vouchers that were not in compliance with the 10-day rule.

**Exhibit 9  
Vouchers Not in Compliance with the 10-day Rule**

Reference	Date Trip Completed	Date TER&L Completed	Days Overdue
PV28982802440	9-10-97	4-22-98	214
PV28982802385	2-5-98	4-17-98	61
PV28982801471	11-13-97	1-10-98	48
PV28982801545	10-29-97	12-22-97	44
PV28992800288	6-17-98	7-31-98	34
PV28982800010	5-15-97	6-26-97	32
PV28982802213	3-6-98	4-7-98	22
PV28982801291	11-15-97	12-4-97	9
PV28982801292	10-29-97	11-17-97	9
JV2899280025	7-24-98	8-11-98	8
PV28982800804	9-11-97	9-29-97	8
PV28992800073	6-27-98	7-13-98	6
JV98280017	6-17-97	7-3-97	6
JV98280026	8-20-97	9-3-97	4
PV28992800115	6-30-98	7-13-98	3
PV28992800578	8-19-98	9-1-98	3
CR2828010282	2-5-98	2-18-98	3
JV98280024	8-28-97	9-10-97	3
PV28982801175	10-23-97	11-3-97	1
PV28982801174	10-23-97	11-3-97	1

Source: MJLM Review Team

**Recommendation 3**

**Enforce the City’s travel policy that requires the completion of a TER&L no later than 10 days after completion of a trip.**

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

**FINDING**

For eight of the 83 travel vouchers on which meals were charged, the maximum daily meal allowance was exceeded on the day of departure, during full days of travel, or on the day of return. 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. **Exhibit 10** presents travel vouchers for which meal allowances were exceeded during days of travel. **Exhibit 11** presents travel vouchers for which meal allowances were exceeded on days of departure or return.

**Exhibit 10  
Excess Meal Charges during Full Days of Travel**

Reference	*Average Meals Charged During Full Days of Travel	Maximum Allowed	Excess Meals Charged During Full Days of Travel
JV98280119	\$66.88	\$40.00	\$26.88
PV28992800471	\$71.25	\$50.00	\$21.25
PV28982801311	\$50.82	\$40.00	\$10.82
PV28982801063	\$44.17	\$40.00	\$4.17
PV28982802673	\$44.16	\$40.00	\$4.16
PV28982802385	\$41.70	\$40.00	\$1.70

Source: MJLM Review Team

\* Meal charges include taxes and tips

**Exhibit 11  
Excess Meal Charges on Days of Departure or Return**

Reference	*Actual Meals Charged	Maximum Allowed	Excess Charges
PV28992800471	\$54.00	\$50.00	\$4.00
PV28992800115	\$48.22	\$40.00	\$8.22
PV28992800055	\$43.36	\$40.00	\$3.36

Source: MJLM Review Team

\* Meal charges include taxes and tips

**Recommendation 4**

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

**FINDING**

In 10 of the 78 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 5**

**Require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to all TER&L reports.**

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**

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. 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 charged a personal entertainment fee. **Exhibit 12** provides details of these exceptions.

**Exhibit 12  
Ineligible Travel Expenses Charged to the City**

Reference	Description of Expense	Ineligible Amount
PV28982800719	Personal Entertainment*	\$6.50
PV28982802673	Alcoholic Beverage- *White Wine	\$8.40

Source: MJLM Review Team

\* Obtained through review of meal receipt.

**Recommendation 6**

**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.

## 5.0 APPENDICES

**Appendix 5.1**  
**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 RTA sections A & B?
6.	If travel was outside the contiguous 48 states, did the Mayor or his designee approve it?
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?

**Appendix 5.1 (Continued)**  
**Compliance Questions Developed from Travel Policy**

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?

**Appendix 5.1 (Continued)**  
**Compliance Questions Developed from Travel Policy**

<b>Question</b>	<b>Description</b>
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?

**Appendix 5.2  
Compliance Test Results-Exceptions by Voucher**

<b>Voucher Reference</b>	<b>Yes Answers</b>	<b>No Answers</b>	<b>Percent Error Free</b>
JV982800938	35	0	100%
PV28982800362	14	0	100%
PV28982800662	39	0	100%
PV28982800799	29	0	100%
PV28982800805	34	0	100%
PV28982800862	32	0	100%
PV28982800952	29	0	100%
PV28982801011	34	0	100%
PV28982801045	39	0	100%
PV28982801763	34	0	100%
PV28982801850	25	0	100%
PV28982802023	38	0	100%
PV28982802320	32	0	100%
PV28982802446	35	0	100%
PV28992800593	26	0	100%
JV2899280011	38	0	100%
JV98280024	39	1	98%
JV98280064	40	1	98%
JV98280017	37	1	97%
PV28982800010	32	1	97%
PV28982800146	32	1	97%
PV28982800354	28	1	97%
PV28982800531	29	1	97%
PV28982800534	29	1	97%
PV28982800816	31	1	97%
PV28982800827	32	1	97%
PV28982800940	37	1	97%
PV28982801232	31	1	97%
PV28982801283	37	1	97%
PV28982801309	37	1	97%
PV28982801310	33	1	97%
PV28982801315	36	1	97%
PV28982801541	36	1	97%
PV28982802202	36	1	97%
PV28982802246	29	1	97%
PV28982802272	33	1	97%
PV28982802425	34	1	97%
PV28982801356	25	1	96%
PV28982801357	25	1	96%
PV28982801414	25	1	96%
PV28982801629	25	1	96%
PV28982801642	25	1	96%

**Appendix 5.2 (Continued)**  
**Compliance Test Results-Exceptions by Voucher**

<b>Voucher Reference</b>	<b>Yes Answers</b>	<b>No Answers</b>	<b>Percent Error Free</b>
PV28982801644	25	1	96%
PV28982801645	25	1	96%
PV28982801646	25	1	96%
PV28982801652	25	1	96%
PV28982801698	24	1	96%
PV28982801701	26	1	96%
PV28982801715	25	1	96%
PV28982801716	25	1	96%
PV28982801722	25	1	96%
PV28982801724	25	1	96%
PV28982801725	25	1	96%
PV28982801727	25	1	96%
PV28982802459	24	1	96%
JV98280026	40	2	95%
CR2828010282	35	2	95%
PV28982800943	35	2	95%
PV28982801545	36	2	95%
PV28982802299	18	1	95%
JV2899280027	35	2	95%
PV28982802440	38	2	95%
PV28992800055	36	2	95%
PV28982800719	32	2	94%
PV28982800730	30	2	94%
PV28982801044	33	2	94%
PV28982801163	31	2	94%
PV28982801174	30	2	94%
PV28982801175	30	2	94%
PV28982801291	34	2	94%
PV28982801292	34	2	94%
PV28982801471	31	2	94%
PV28982802213	30	2	94%
PV28992800578	29	2	94%
PV28992800288	32	2	94%
PV28982800037	33	3	92%
PV28982800887	35	3	92%
PV28982801311	34	3	92%
PV28982802673	33	3	92%
JV2898280127	35	4	90%
PV28982801063	35	4	90%
PV28992800115	35	4	90%
PV28992800073	29	4	88%
PV28992800471	27	4	87%
JV98280119	32	5	86%
JV98280053	30	5	86%

**Appendix 5.2 (Continued)**  
**Compliance Test Results-Exceptions by Voucher**

<b>Voucher Reference</b>	<b>Yes Answers</b>	<b>No Answers</b>	<b>Percent Error Free</b>
PV28982800804	31	5	86%
PV28982801071	30	5	86%
JV2899280025	33	6	85%
PV28982802385	28	6	82%

# EXHIBIT 1

MAYOR: LEE P. BROWN CITY COUNCIL MEMBERS: CHRIS BELL, JEW DON BONEY, JR.,  
JOHN E. CASTILLO, RAY F. DIBCOLL, FELIX FRAGA, JEAN KELLEY, ANNISE D. PARKER,  
BRUCE TAYLOR, JOE ROACH, CARROLL G. ROBINSON, ORLANDO SANCHEZ,  
ROB TODD, MARTHA J. WONG, MICHAEL J. YARBROUGH  
CITY CONTROLLER: SYLVIA R. GARCIA

DIRECTOR OF AVIATION: RICHARD M. YAGAR, A.A.E.



BUSH INTERCONTINENTAL AIRPORT  
HOBBY AIRPORT  
ELLINGTON FIELD

November 5, 1999

Mr. Ira Wayne McConnell  
McConnell, Jones, Lanier & Murphy, LLP  
11 Greenway Plaza, Suite 2902  
Houston, Texas 77046

Reference: Review of Travel and Travel-related Expenses

Dear Mr. McConnell:

We have reviewed the draft final report dated October 15, 1999, submitted by McConnell, Jones, Lanier, & Murphy, LLP, pertaining to the compliance review of travel and travel-related expenses for the period July 1, 1997 through September 30, 1998. The following response is provided to address the findings presented in the audit report:

1. **Audit Finding:** Travel expenses were misclassified on 30 of the 90 travel vouchers. In each instance, travel expenses for trips to attend training conferences or seminars were charged to 30950 Travel-Non-Training instead of 30910 Travel-Training.

**Management Response:** Houston Airport System's travel expenses are reviewed as part of our regular fiscal year-end process and misclassifications were corrected prior to the draft audit report. Currently, we print the AFMS data entry screen that is signed by the reviewing staff to ensure proper approval, correct object code and accurate data entry in a more timely manner.

2. **Audit Finding:** For 23 of the 90 vouchers, proper approvals were not obtained on Travel Expense Report and Travel-related Log (TER&L) expense reports. In 14 instances, neither the Mayor nor his designee approved expense reports involving foreign travel as required by Section 5.3 of the travel policy. In nine instances, the Deputy Director of Aviation approved the Director of Aviation's expense report in violation of Section 5.4 of the travel policy, which requires that the Mayor's chief(s) of staff or designee(s) approve department director travel documents.

*Views of Responsible  
Officials*

DEPARTMENT OF AVIATION  
POST OFFICE BOX 60106 HOUSTON, TEXAS 77205-0106 TEL: 281/233-1877 FAX: 281/233-1864

## EXHIBIT 1

Mr. Ira Wayne McConnell  
McConnell, Jones, Lanier & Murphy, LLP

-2-

November 5, 1999

**Management Response:** Foreign Travel Authorization Requests (Appendix B) are always approved in accordance with Section 5.3 of the travel policy. Upon clarification, subsequent foreign travel TER&L expense reports (Appendix D) are now submitted to the proper approving authority. Section 5.4 of the travel policy was revised effective May 1, 1999, and domestic travel documents are approved by the Department Director or designee accordingly. The Department has requested in writing to the Mayor's Office the authority to approve Appendix D's for foreign travel expenses. This will reduce the time the expense reports are submitted by the employees and then forwarded to City Controller's for processing and payment.

3. **Audit Finding:** Expense reports were completed more than ten days after the trip for 20 of the 90 vouchers.

The City's travel policy states in Section 9.2 that employees are required to complete a TER&L no later than ten days after completion of a trip.

For eight of the 83 travel vouchers on which meals were charged, the maximum daily meal allowance was exceeded on the day of departure, during full days of travel, or on the day of return. According to the travel policy, employees are reimbursed for actual expenses at a maximum average rate of \$40 or \$50, depending on the travel location.

In ten of the 78 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.

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. In two instances, ineligible travel expenses were charged to the City and were reimbursed.

**Management Response:** Houston Airport System will issue a department-wide memo to reiterate A.P. 2-5 to employees and clarify certain travel policy provisions. Action has been taken to designate an individual the responsibility for:

Maintenance of a log to monitor approved travel authorizations, including the employee names, departure dates, return dates and expense report due dates for follow up on required travel documents; and

Reviewing, among others, meal reimbursement, air travel documentation and ineligible travel expenses prior to obtaining the TER&L approval from the Deputy Director of Aviation for Finance and Administration.

*Views of Responsible  
Officials*

# EXHIBIT 1

Mr. Ira Wayne McConnell  
McConnell, Jones, Lanier & Murphy, LLP

-3-

November 5, 1999

Should you have any questions regarding our response to this audit, please contact Mr. Richard Berrones or me at 281/233-1892.

Sincerely,



Richard M. Vacar, A.A.E.

RMV:RB:bgt

*Views of Responsible  
Officials*