

OFFICE OF THE CITY CONTROLLER



**POLICE 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

June 12, 2000

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

SUBJECT: Police Department
Travel and Travel-Related Expenses – Compliance Review
(Report No. 00-06)

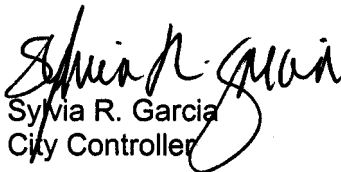
Dear Mayor Brown:

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 Police 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
C.O. Bradford, Chief of Police
Sara Culbreth, Acting Director, Finance and Administration Department



McCONNELL JONES LANIER & MURPHY, LLP
CONSULTANTS & BUSINESS ADVISORS

May 23, 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 Police Department (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 'Ira Wayne McConnell', written over a printed name.

Ira Wayne McConnell
Managing 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) Police Department (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.

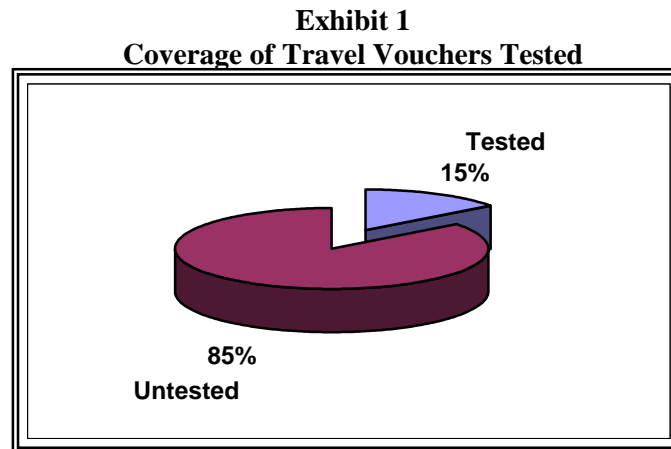
This report summarizes the results of the review and consists of five sections as follows:

- 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 993 vouchers, 150 were randomly selected for testing. **Exhibit 1** depicts the sample coverage based on the voucher population.



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

In 13 of 135 instances, employees arbitrarily charged either all or a portion of the per diem meal allowance on days of departure or return instead of charging *actual* meal expenses, as required by the travel policy.

Recommendation 1

Require employees to charge actual meal expenses on the day of departure and day of return.

FINDING

Travel expenses were misclassified on 23 of 150 travel vouchers.

Recommendation 2

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

FINDING

The Police Department does not use the Travel Expense Report and Travel Related Log (TER&L) prescribed in section 4.10 of the travel policy. For all 150 vouchers, a form entitled CO-0200-R85 was used instead of the standard TER&L.

Recommendation 3

Use the TER&L form prescribed in the travel policy to document travel expenses.

FINDING

In 4 of the 75 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the TER&L. The travel policy requires in section 7.7.1 that employees attach a copy of the canceled airline ticket stub to the TER&L when they submit their expense report for reimbursement.

Recommendation 4

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

FINDING

For 120 of the 139 vouchers, either the employee or authority did not date the Travel Authorization Request.

Recommendation 5

Promote date stamping of travel documents at critical processing points, and encourage employees and authorities to date the Travel Authorization Request.

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 mission of the Police Department is to enhance the quality of life in the City of Houston. The Department accomplishes its mission by preserving the peace, enforcing laws, and providing safe communities while working with its citizens. Additionally, the mission is supported through achieving major short and long-term goals. These goals include responding promptly to calls, improving both internal and external communication, reducing crime, and building beneficial relationships with the communities served.

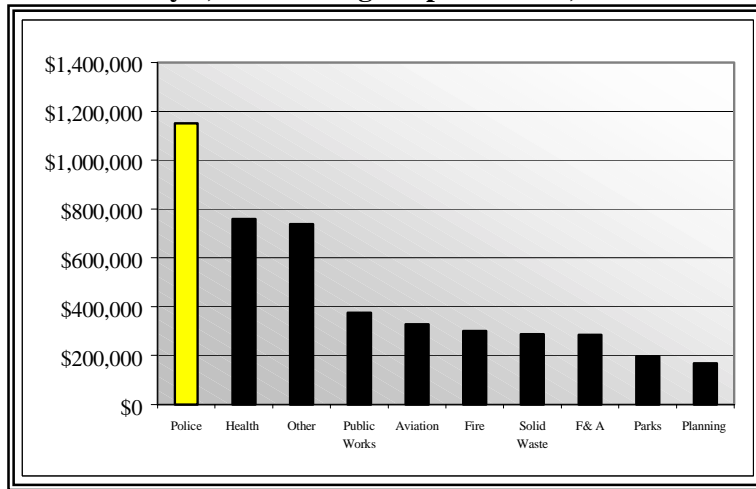
The Department incurred \$1,150,080 in travel and travel-related expenses during the review period. This amount represents 25 percent of the City's total travel and travel-related expenses. **Exhibit 3** presents total travel and travel-related expenses incurred by the Department during the review period. **Exhibit 4** compares the Department's travel and travel-related expenses to those of other City departments for the review period.

**Exhibit 3
Police Department
Travel and Travel-related Expenses
July 1, 1998 through September 30, 1999**

Object Code	Total
3910 Travel-Training	\$979,801
3950 Travel Non-Training	\$170,279
Total Travel Expenses	\$1,150,080

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**

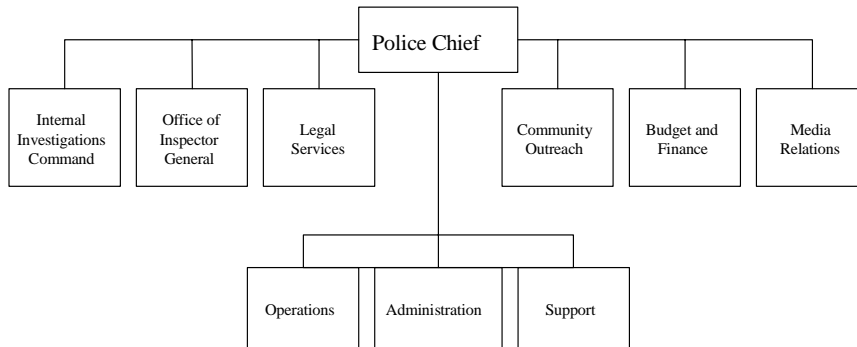


Source: City of Houston Controller's Office

3.0 CURRENT SITUATION

The Chief of Police is responsible for the overall management of the Department and its staff. **Exhibit 5** presents the Department's organization chart.

**Exhibit 5
Police Department Organization Chart**



Source: Houston Police Department

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

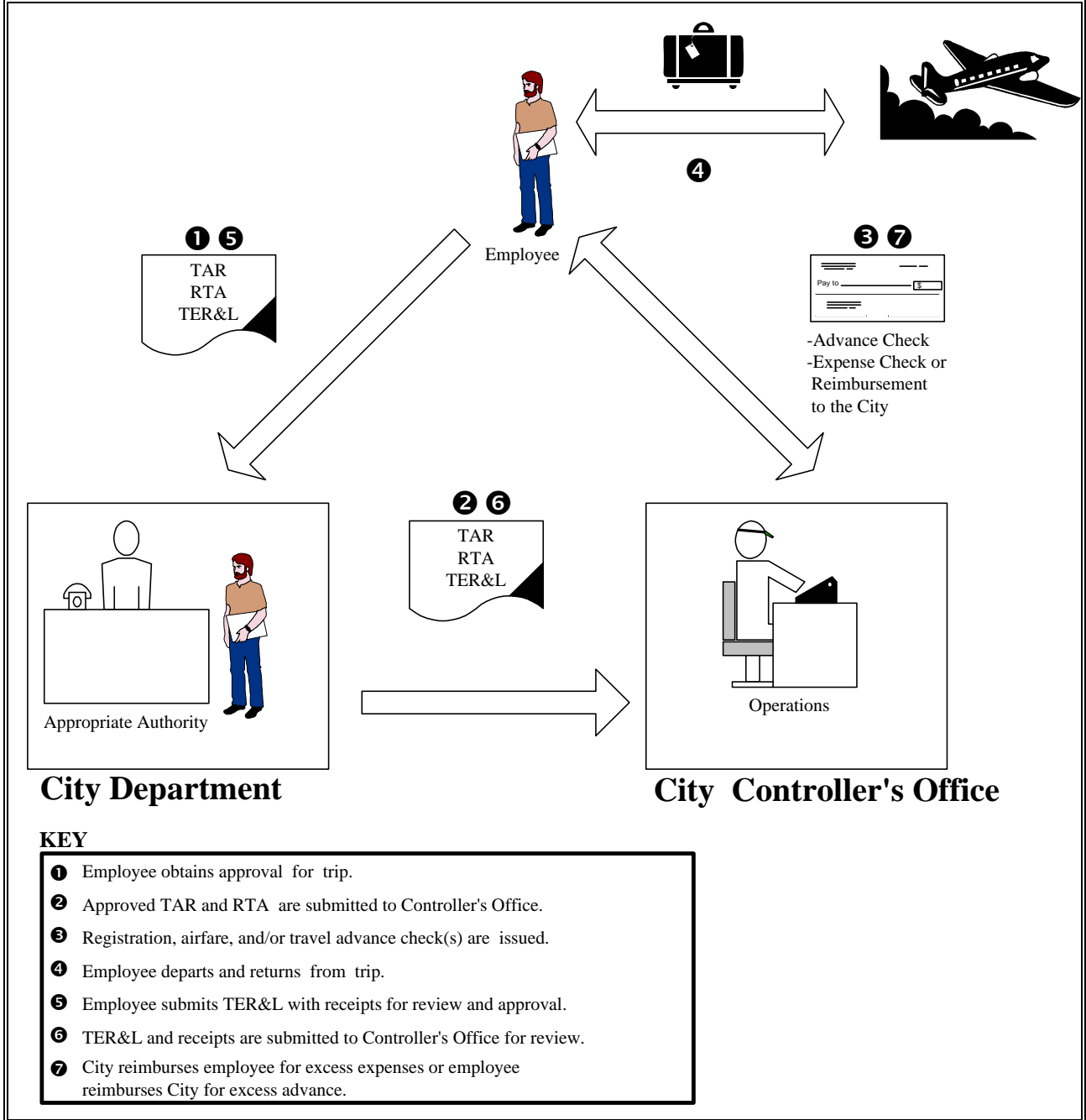
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

Employees must use a TAR to obtain approval for local and out-of-town travel. 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, a 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

In 13 of 135 instances, employees arbitrarily charged either all or a portion of the per diem meal allowance on days of departure or return instead of charging *actual* meal expenses, as required by the travel policy. In 12 instances the meal charges were even amounts. Section 7.2.3 of the policy requires employees to charge *actual* meal expenses on days that they are travelling to or returning from their travel destination. Although employees are not required to submit receipts to support meal charges, the policy is clear that *actual* meal expenses must be charged on the day of departure and day of return.

In 7 of the 13 instances, the same amount was allocated for the same meal during each day of travel. For example, one employee charged \$8 for breakfast, \$10 for lunch, \$16 for dinner, and \$6 for meal tip every day for seven days. The chances are remote that an individual's actual meal charges would be exactly even for every meal during each day of travel. While it's true that individuals typically tip an amount sufficient to cause the total amount to be even, in the 13 instances noted, tips were not used to achieve an even total.

These employees allocated all or a portion of the meal per diem to the day of departure and day of return instead of charging actual expenses. In fact, in two instances the allocation of meal per diems resulted in employees inadvertently charging meal expenses after travel ended. For example, one employee's business trip ended at 11:01 a.m. on the day of return, yet the individual charged the City for dinner.

Recommendation 1

Require employees to charge actual meal expenses on the day of departure and day of return.

FINDING

Travel expenses were misclassified on 23 of 150 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 7** presents examples of the types of classification errors noted during the review.

Exhibit 7
Travel Expense Classification Errors

Transaction Reference	Description	Expenses Coded to	Expenses should have been Coded to	Explanation
PV10991001756	Texas Commission on Law Enforcement Standards & Database Pilot	3910	3950	Travel was to attend a TCIC committee meeting, which was not training related. Therefore, expenses should have been coded to 3950.
PV10991001665	Kids and Cops Trading Cards	3910	3950	Travel was for trading and signing cards during the State Fair of Texas. Travel expenses should have been coded to 3950 since the event was not training related.
PV10991000628	Senate Interim Committee on Gangs and Juvenile Justice	3910	3950	The business purpose of the trip was to provide information related to street gangs. The expenses were not training related and should have been coded to 3950.
PV10991000630	Interview Suspects	3910	3950	The employee traveled to Virginia to investigate a murder. Travel expenses should have been coded to 3950 since the trip was not training related.
PV10991000625	Protection for Mayor's Security	3910	3950	The travel was to provide security for the Mayor. Travel expenses should have been coded to 3950 since the trip was not training related.
PV10991000623	Louisiana Trooper Funeral.	3910	3950	Travel was to attend an officer's funeral service. Travel expenses should have been coded to 3950 since the trip was not training related.
PV100010000290	Association of Firearms and Tool Mark Examiners	3950	3910	The business purpose of the trip was to keep abreast of new developments and to increase knowledge of firearms. Since the trip was training related, travel expenses should have been charged to 3910.
PV1000100000287	Association of Firearms and Tool Mark Examiners	3950	3910	The business purpose of the trip was to keep abreast of new developments and to increase knowledge of firearms. Since the trip was training related, travel expenses should have been charged to 3910.

Source: MJLM Review Team

Object Code Descriptions

3910 Travel-Training

3950 Travel-Non-Training

In addition, eight 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 8**.

Exhibit 8
Miscodings to 3900 Education and Training

Transaction Reference	Description	Expenses Coded to	Expenses should have been Coded to	Amount
PV10991000978	Travel Advance/ Washington	3900	3910 or 3950	\$300.00
PV10991001483	Travel Advance/ Las Vegas	3900	3910 or 3950	\$354.80
PV10991001744	Travel Reimburse/ Memphis	3900	3910 or 3950	\$209.15
PV10991000673	Travel Advance/ Little Rock	3900	3910 or 3950	\$220.00
PV10991000680	Travel Advance/ Little Rock	3900	3910 or 3950	\$205.00
PV10991000682	Travel Advance/ Colorado Springs	3900	3910 or 3950	\$200.00
CR10100013612	Travel Advance Liquidation	3900	3910 or 3950	(\$9.64)
CR10100013613	Travel Advance Liquidation	3900	3910 or 3950	(\$8.23)

Source: MJLM Review Team

Recommendation 2

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

FINDING

The Police Department does not use the Travel Expense Report and Travel Related Log (TER&L) prescribed in section 4.10 of the travel policy. For all 150 vouchers, a form entitled CO-0200-R85 was used instead of the standard TER&L. The City's travel policy states in section 4.10 that a TER&L should be used to record and request reimbursement for travel expenses. Compliance with certain provisions of the travel policy cannot be monitored if prescribed forms are not used. For example, the Department's form does not provide a space for the employee or authority to date the expense report. Compliance with the 10-day rule cannot be enforced unless expense reports are dated. Completion of the prescribed TER&L provides assurance that travel expenses are documented uniformly throughout the City.

Recommendation 3

Use the TER&L form prescribed in the travel policy to document travel expenses.

City departments should have the flexibility to design travel forms that meet their unique needs. However, any deviation from the standard in the travel policy should be pre-approved. Moreover, resultant forms should provide the same basic information as that provided by the standard travel forms.

FINDING

In 4 of the 75 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the TER&L. The travel policy requires in section 7.7.1 that employees attach a copy of the canceled airline ticket stub to the TER&L when they submit their expense report for reimbursement. 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.

Recommendation 4

Require employees to attach a canceled ticket stub or a certified 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 the 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

For 120 of the 139 vouchers, either the employee or authority did not date the TAR. While, the policy does not specifically require employees or authorities to date the TAR. It is implied because the form has a place for a date. The purpose of the TAR is to approve travel before expenses are incurred. The Department cannot determine if travel is being approved prior to trips unless both the employee and authority date the TAR.

Recommendation 5

Promote date stamping of travel documents at critical processing points, and encourage employees and authorities to date the Travel Authorization Request.

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

INTER OFFICE CORRESPONDENCE

TO: Sylvia Garcia
City Controller

FROM: C. O. Bradford
Chief of Police

DATE: May 18, 2000

SUBJECT: Response to Travel Audit Findings

Attached is the management response to the final draft of the recent audit of the travel and travel-related expenses of the City of Houston's Police Department for the period July 1, 1998 through September 30, 1999 conducted by McConnell Jones Lanier & Murphy LLP. I agree that the Department was in compliance overall with the City's travel policy during the test period. There were five minor findings, and these have been or will be corrected.

There were five findings and our responses are summarized as follows:

1. **Finding** - In 13 of 135 instances, employees arbitrarily charged either all or a portion of the per diem meal allowance on days of departure or return instead of charging actual meal expenses, as required by travel policy.

Response - The Department will direct employees and supervisors that meals and meal related tips are reimbursed on an actual basis. It will also reemphasize that only meal expenses occurring during the travel period will be allowed.

2. **Finding** - Travel expenses were misclassified on 23 of 150 travel vouchers.

Response - There are three accounts for most travel related expenses. These are "3900 - Education and Training"; "3910 - Travel-Training"; and "3950 - Travel-Non-training." Within these three accounts, there is a potential for overlap; therefore, these are areas open to interpretation. Nevertheless, there have been instances of miscoding. The Department will address this issue in two ways.

First, the Department will provide additional training information to divisional budget coordinators, who primarily code the travel requests. Second, the Budget and Finance personnel will review the coding more closely.

3. **Finding** - The Police Department does not use the Travel Expense Report and Travel Related Log (TER&L) prescribed in section 4.10 of the travel policy. For all 150 vouchers, a form entitled CO-0200-R85 was used instead of the standard TER&L.

Response - The forms were acceptable under the City's previous travel policy. All pertinent information was still being captured by the forms. The Department has prepared a revised general order covering employee travel that has the new forms included.

*Views of Responsible
Officials*

EXHIBIT 1

Sylvia Garcia

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May 18, 2000

4. **Finding** - In 4 of 75 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the TER&L. The travel policy requires in section 7.7.1 that employees attach a copy of the canceled airline ticket stub to the TER&L when they submit their expense report for reimbursement.

Response - The Department will reinforce the need for employees to submit ticket stubs. However, the City's policy does not address the recent advent of "E tickets" or ticket-less travel. Also, it is nearly impossible to obtain certified copies of cancelled flight tickets from the airlines.

5. **Finding** - For 120 of the 139 vouchers, either the employee or authority did not date the Travel Authorization Request (TAR).

Response - Personnel will be required to date their signature. The Budget & Finance Division will review the TAR closer for dating.

Please contact Larry Yium at 713-308-1778, if you have any questions or additional comments.



C. O. Bradford
Chief of Police

COB:pjg

Attachments

CC: Al Haines, CAO, Mayor's Office

*Views of Responsible
Officials*

EXHIBIT 1

RESPONSE TO AUDIT FINDINGS

NOTE: The findings and recommendations are copied verbatim from the auditor's report.

Finding

In 13 of 135 instances, employees arbitrarily charged either all or a portion of the per diem meal allowance on days of departure or return instead of charging *actual* meal expenses, as required by the travel policy. In 12 instances the meal charges were even amounts. Section 7.2.3 of the policy requires employees to charge *actual* meal expenses on days that they are traveling to or returning from their travel destination. Although employees are not required to submit receipts to support meal charges, the policy is clear that the *actual* meal expenses must be charged on the day of departure and day of return.

In 7 of the 13 instances, the same amount was allocated for the same meal during each day of travel. For example, one employee charged \$8 for breakfast, \$10 for lunch, \$16 for dinner, and \$6 for meal tip every day for seven days. The chances are remote that an individual's actual meal charges would be exactly even for every meal during each day of travel. While it's true that individuals typically tip an amount sufficient to cause the total amount to be even, in the 13 instances noted, tips were not used to achieve an even total.

These employees allocated all or a portion of the meal per diem to the day of departure and day of return instead of charging actual expenses. In fact, in two instances the allocation of meal per diems resulted in employees inadvertently charging meal expenses after travel ended. For example, one employee's business trip ended at 11:01 a.m. on the day of return, yet the individual charged the City for dinner.

Recommendation 1

Require employees to charge actual meal expenses on the day of departure and day of return.

Management's Response

The Department will direct employees and supervisors that meals and meal related tips are reimbursed on an actual basis. It will also reemphasize that only meal expenses occurring during the travel period will be allowed. It should be noted that in the example in the finding, the time was based on the original flight schedule; however, many flights are delayed or the flight may be changed. The original flight itinerary by itself is not an absolute indicator that the employee's travel period had actually ended.

Finding

Travel expenses were misclassified on 23 of 150 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 7 presents examples of the types of classification errors noted during the review.

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EXHIBIT 1

In addition, eight 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 8**.

Recommendation 2

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

Management's Response

There are three accounts for most travel-related expenses. The City's chart of accounts does not provide a clear definition of what is applicable for account 3900-Education and Training and 3910-Travel-Training. As such, this is an issue where interpretation is a large factor. Nevertheless, there have been instances of miscoding; therefore, the Department will resolve this issue through two methods. First, the Department will provide additional training information to divisional budget coordinators, who primarily code the travel requests. Second, the Budget & Finance Division personnel will review the coding more closely.

The "correct" classification of travel expenses is often subjective. In the exit meeting, there was a long discussion on how to code a professional conference where attendance may not just be for training purposes, as the employee may network, evaluate new products, discuss potential business arrangements with the City, give presentations, recruit, or serve on committees. As such, the matter is somewhat subjective and best left to the persons nearest to the activity.

FINDING

The Police Department does not use the Travel Expense Report and Travel Related Log (TER&L) prescribed in section 4.10 of the travel policy. For all 150 vouchers, a form entitled CO-0200-R85 was used instead of the standard TER&L. The City's travel policy states in section 4.10 that a TER&L should be used to record and request reimbursement for travel expenses. Compliance with certain provisions of the travel policy cannot be monitored if prescribed forms are not used. For example, the Department's form does not provide a space for the employee or authority to date the expense report. Compliance with the 10-day rule cannot be enforced unless expense reports are dated. Completion of the prescribed TER&L provides assurance that travel expenses are documented uniformly throughout the City.

Recommendation 3

Use the TER&L form prescribed in the travel policy to document travel expenses.

Management's Response

The forms were acceptable under the City's previous travel policy. All pertinent information was still being captured by the forms. The Department has prepared a revised general order covering employee travel that has the new forms included.

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EXHIBIT 1

FINDING

In 4 of the 75 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the TER&L. The travel policy requires in section 7.7.1 that employees attach a copy of the canceled airline ticket stub to the TER&L when they submit their expenses report for reimbursement. 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.

Recommendation 4

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

Management's Response

The Department will reinforce the need for employees to submit ticket stubs, as outlined in the recommendation. However, the City's policy does not address the recent advent of "E tickets" or ticket-less travel. As an example, Southwest Airlines has ticket-less travel and does not issue boarding passes. Though the City's policy says that a certified copy of the cancelled ticket should be obtained from the airline, experience has shown that this is nearly an impossible task, especially within the time requirements outlined in other parts of the city policy.

FINDING

For 120 of the 139 vouchers, either the employees or authority did not date the TAR. While, the policy does not specifically require employees or authorities to date the TAR. It is implied because the form has a place for a date. The purpose of the TAR is to approve travel before expenses are incurred. The Department cannot determine if travel is being approved prior to trips unless both the employee and authority date the TAR.

Recommendation 5

Promote date stamping of travel documents at critical processing points, and encourage employees and authorities to date the Travel Authorization Request.

Management Response

Personnel will be required to date their signature. The Budget & Finance Division will review the TAR closer for dating.

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