

OFFICE OF THE CITY CONTROLLER



**HEALTH AND HUMAN SERVICES DEPARTMENT
TRAVEL COST COMPLIANCE AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

December 19, 2006

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Health and Human Services Department
Travel Cost Compliance Audit – (Report No. 2007-08)

Dear Mayor White:

The City Controller's Office Audit Division has completed a travel cost compliance audit of the Health and Human Services Department (Department) covering the period July 1, 2005 through June 30, 2006. The audit's objective was to determine whether travel expenses are supported, computed, approved and reported in compliance with Administrative Procedure 2-5.

The report, attached for your review, concludes that the Department is in compliance with Administrative Procedure 2-5, except for the findings and recommendations presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of responsible officials as to actions being taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker
City Controller

xc: City Council Members
Anthony Hall, Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Stephen L. Williams, M.Ed., M.P.A., Director, Health and Human Services Department
Judy Gray Johnson, Director, Finance and Administration Department

CONTENTS

LETTER OF TRANSMITTAL	i
SCOPE AND PURPOSE.....	1
CONCLUSION	1
INTRODUCTION	2
AUDIT FINDINGS AND RECOMMENDATIONS	
TRAVEL EXPENSE REPORTS NOT SUBMITTED TIMELY	3
RECEIPTS FOR ACTUAL MEAL EXPENSES AND/OR LOG NOT PROVIDED	3
COPY OF AIRLINE TICKET STUBS OR E-TICKET NOT SUBMITTED	4
JUSTIFICATIONS FOR USE OF CITY VEHICLES NOT PROVIDED	4
VIEWS OF RESPONSIBLE OFFICIALS	EXHIBIT I

SCOPE AND PURPOSE

We have completed a travel cost compliance audit of the Health and Human Services Department. The audit's objective was to determine if travel expenses were supported, computed, approved and reported in compliance with Administrative Procedure 2-5. The audit scope period was from July 1, 2005 through June 30, 2006.

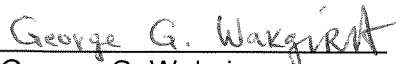
The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test compliance with Administrative Procedure 2-5.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately comply with Administrative Procedure 2-5. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.


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

CONCLUSION

Based on the results of our audit, we conclude that the Department is in compliance with Administrative Procedure 2-5, except for the findings and recommendations presented in the body of the report.



George G. Wakgira
Auditor-in-charge



Richard P. Martinez
Audit Manager



Steve Schoonover
City Auditor

INTRODUCTION

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 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 non-salaried City employees and to all elected officials. During the scope period, the Department incurred approximately \$660,000 in training and non-training related travel expenses.

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 (Appendix B),
2. Request for Travel Advance (Appendix C), and
3. Travel Expense Report and Travel-related Log (Appendix D).

Employees must use Appendix B to obtain approval for local and out-of-town travel.

After an employee completes Appendix B, it is forwarded to the appropriate authority for approval. If a travel advance is required, Appendix C is also submitted for approval. The approved Appendices B and C 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 Appendix Cs to the Controller's Office at least five days before the trip. Once the Controller's Office has received an approved Appendices B and C, the employee receives the travel advance and departs on the trip.

Employees are required to complete an expense report, Appendix D, within 10 working days after completion of the trip. 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.

AUDIT FINDINGS AND RECOMMENDATIONS

I. TRAVEL EXPENSE REPORTS NOT SUBMITTED TIMELY

BACKGROUND

A.P. No. 2-5, Section 9.4, states, "Employees are required to complete a Travel Expense Report and Travel Related Log no later than 10 working days after completion of the trip."

FINDING

Seven of 30 (23%) travel expense reports tested were completed more than 10 working days after trip completion. In the instances noted, expense reports were completed between 2 and 33 days after 10 working days had expired. Consequently, expenses were not recorded and travel advances were not cleared in a timely manner.

Department management indicated that some employees just turn in Appendix D untimely despite periodic communications from management regarding the necessity of complying with the 10 working days rule.

RECOMMENDATION

We recommend the Department continue to remind employees the necessity of complying with the citywide travel policy.

A.P. 2-5, Section 6.3.3.4 states, "An employee may be denied a travel cash advance if he/she consistently submits the travel expense report late (more that 10 days after travel is completed)". Accordingly, we also recommend that the Department deny travel cash advances to employees who turn in Appendix Ds consistently late.

II. RECEIPTS FOR ACTUAL MEAL EXPENSES AND/OR LOG NOT PROVIDED

BACKGROUND

A.P. No. 2-5, Section 7.3.4, states, "Reimbursable meal expenses when traveling to and returning from a travel destination and for one day trips: Employees will be reimbursed for actual meal expenses on days that they are traveling to or returning from their travel destination or making a one day business trip. Actual meal expenses, which are reasonable for the travel location, will be paid/reimbursed on these days."

FINDING

Twenty-nine out of the 30 travel vouchers reviewed involved meal expenses. Twenty-one of the 29 (72%) Appendix Ds reviewed

contained per diem based meal amounts for the day of departure and/or the day of return.

RECOMMENDATION

We recommend that Department leadership communicate to employees (and review for) the requirement of attaching actual meal expenses receipts and/or logging actual meal expenses for the day of departure and for the day of return.

III. COPY OF AIRLINE TICKET STUBS OR E-TICKET NOT SUBMITTED

BACKGROUND

A.P. No. 2-5, Section 7.8.1.3, Airline Tickets Purchased by Department, states that the cancelled ticket stub must accompany the Travel Expense Report and Travel Related Log (Appendix D).

FINDING

Twenty of the 30 travel vouchers tested indicated air travel as the mode of transportation employed. Twelve of the 20 (60%) vouchers tested did not include cancelled tickets stubs on Appendix D.

In addition, the citywide policy still employs the term “cancelled ticket stub” even though e-tickets and e-boarding passes are the most prevalent documents submitted by employees to document air travel.

OUTCOME

We brought this matter to the attention of the Finance and Administration Department (F&A) and recommended that F&A update the travel policy to address current available air travel documentation.

IV. JUSTIFICATIONS FOR USE OF CITY VEHICLES NOT PROVIDED

BACKGROUND

A.P. No. 2-5, Section 7-8.2, states that City-owned vehicles may be used for in-state travel with the prior approval of the Department Director or designee when this mode of travel is the most cost effective.

FINDING

Three of the 30 travel vouchers tested involved the use of City vehicles. All 3 (100%) vouchers did not include justifications on the Appendix Bs for the use of City vehicles.

Health and Human Services Department
Travel Cost Compliance Audit

Department management indicated that Appendix B does not have a pre-printed line or lines where justification for the use of City vehicles can be provided by employees.

OUTCOME

We brought this matter to the attention of F&A and recommended that F&A update Appendix B to include pre-printed lines for justifying the use of City vehicles.

EXHIBIT I



CITY OF HOUSTON
Houston Department of Health and Human Services

Interoffice

Correspondence

To: Annise Parker
City Controller

Bob Brown for
From: Stephen L. Williams, M.Ed., M.P.A.
Director
Health and Human Services

Date: December 11, 2006

Subject: Responses and Recommendations to
Travel Costs Audit

Presented below are the Department of Health and Human Services responses to the Recommendations and Outcomes presented in the recent audit of travel expenses, conducted by your staff. We appreciate the diligence and cooperation of the audit staff in conducting the review and discussing the findings prior to publication.

I. TRAVEL EXPENSE REPORTS NOT SUBMITTED TIMELY

RECOMMENDATION: We recommend the Department continue to remind employees the necessity of complying with the City-wide travel policy.

A.P. 2-5, 6.3.3.4 states, "An employee may be denied a travel cash advance if he/she consistently submits the travel expense report late (more than 10 days after travel is completed)". Accordingly, we also recommend that the Department deny travel cash advances to employees who turn in Appendix Ds consistently late.

MANAGEMENT RESPONSE: We concur with the recommendation. An employee who consistently submits the travel expense report late will be denied cash advances.

II. RECEIPTS FOR ACTUAL MEAL EXPENSES AND/OR LOG NOT PROVIDED

RECOMMENDATION: We recommend that Department leadership communicate to employees (and review for) the requirement of attaching actual meal expenses receipts and/or logging actual meal expenses for the day of departure and for the day of return.

MANAGEMENT RESPONSE: We concur with the recommendation. As required by the policy, employees who travel for the Health department are required to submit the **Travel Expense Summary & Log** and must include the log for meals to receive reimbursement for meals. Staff will review these logs to ensure employees are completing them properly.

2006 DEC 12 PM 12:30
CONTROLLER'S

*Views of Responsible
Officials*

EXHIBIT I

Page 2

III. COPY OF AIRLINE TICKET STUBS OR E-TICKET NOT SUBMITTED

OUTCOME: We will bring this matter to the attention of Finance and Administration Department (F&A) and recommended that F&A update the travel policy to address current available air travel documentation.

MANAGEMENT RESPONSE: We concur with the outcome as stated above. The travel policy should be modified to meet the changes in the air travel industry.

IV. JUSTIFICATIONS FOR USE OF CITY VEHICLES NOT PROVIDED

OUTCOME: We will bring this matter this matter to the attention of F&A and recommended that F&A update Appendix B to include pre-printed lines for justifying the use of City vehicles.

MANAGEMENT RESPONSE: We concur with the Outcome. A.P. 2-5, Sections 7.8.2 and 7.8.3 do not require a justification for the use of City vehicles for travel. The Appendix B does not have a pre-printed line for the justification. If a justification is determined to be necessary, then both A.P. 2-5 and the Appendix B should be modified.

*Views of Responsible
Officials*