

Travel Expenses and Credit Card Usage

Report No. 94-7

Harriet M. Richardson, Senior Management Auditor
Paul Walker, Financial Auditor

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INTRODUCTION AND BACKGROUND

The financial audit of travel expenses and the management audit of corporate credit cards were approved by the Management, Labor, and Customer Services Committee in the 1994 Auditor's Office work program. The audits were combined into a single audit report due to the overlap of subject matter.

The authority for reimbursing travel expenses to County employees is established in King County Code (KCC) 3.24, Travel Authorization and Expense Reimbursement, and clarified in Executive Policies and Procedures FIN 10-1, Travel and Living Expense Reimbursement, and PER 17-1, Authorized Travel for County Employees. The Procedures for Credit Card Usage provide the guidelines for using the County's credit cards. However, because the credit cards are limited to use for overnight travel expenses, KCC 3.24, FIN 10-1, and PER 17-1 also provide authority for the expenses for which credit cards may be used.

OBJECTIVE AND SCOPE

The audit objectives were to determine whether County travel expenses were reasonable; whether travel expenses and corporate credit card usage were in compliance with existing policies and procedures; and whether adequate controls existed to prevent unauthorized travel expense reimbursement or use of credit cards.

The audit was limited to a review of the policies, procedures, and supporting documentation for travel authorization, travel expense reimbursement, and the corporate credit card program for the Executive Branch of King County government. The audit did not include a review of other credit cards, such as fuel or telephone credit cards. It also did not include the Department of Metropolitan Services.

Audit methodology included a review and analysis of travel and credit card expenditures and related accounting records. Audit staff extracted a sample of 59 transactions from the Accounts Payable data files for payments made to ARMS account 53310 -- Travel and Subsistence Expense, for the period of January through July 1994. The sample was stratified by department and amount to include travel expenditures from most of the larger departments. Audit staff reviewed the transactions and the accompanying documentation related to each sample transaction for completeness, reasonableness, accuracy, and compliance to the King County Code. Additionally, audit staff reviewed all 74 credit card statements processed between January 1993 and May 1994 to determine compliance of credit card usage to the procedures established by the Department of Executive Administration when the credit cards were issued. Examples cited in Chapter II of the audit report were based on both the review of the sample of 59 transactions and the 74 credit card statements.

SUMMARY STATEMENT OF FINDINGS

The general conclusion is that management controls over the review, authorization and payment of travel and subsistence expenses, and management controls over credit card usage, should be improved.

MAJOR FINDINGS AND RECOMMENDATIONS

Finding II-A. Unnecessary hotel expenses were incurred by County employees.

Audit staff found that other levels of government, such as the federal and Washington State governments, had established maximum amounts that employees can be reimbursed for lodging expenses while traveling on official government business. King County had not established such a limit, nor did it require employees to request the government lodging rate when staying at a hotel. A survey of 15 hotels where County employees had stayed while traveling on official County business revealed that the employees paid more than the government rates 88% of the time, and that the average rate paid exceeded the government rate by 76% or \$51 per day. The survey also revealed that the government rates quoted by the hotels were within the lodging limits established by the federal government 60% of the time.

The audit recommended that King County limit the reimbursable amount of lodging costs for employees traveling on official County business to the federal lodging limit, or the government rates quoted by hotels, whichever is lower, and that the King County Code be revised to specifically state that employees will be responsible for lodging costs in excess of the reimbursable rates.

Finding II-B. Reimbursements were made for travel and subsistence expenditures that were not authorized under the King County Code.

Several payments were made for travel and subsistence items that were not authorized by the King County Code. These items included payments for meals during meetings between County employees, personal expenses such as tips not related to actual meal costs, meals that were included in the cost of air fares and registration fees, and double occupancy rates for hotel rooms. Audit staff were unable to determine the full extent to which unauthorized expenses were reimbursed because most of the travel vouchers were inadequately documented. Audit staff also identified an instance where an expense claim was not adjusted to reflect the exchange rate for travel to Canada.

The audit recommended that County staff responsible for reviewing travel expense claim forms familiarize themselves with the requirements of the King County Code so they can disallow expenses not authorized by the Code; the Office of Financial Management (OFM) should prepare an Administrative Policy and Procedure to clarify the types of expenses that may be reimbursed; conference brochures and flight itineraries should be a required attachment to expense claim forms to facilitate the review and approval process; unauthorized expenses that were reimbursed to employees should be repaid to the County; and meal expenses for staff retreats should be limited to the fixed allowance specified in the King County Code.

Finding II-C. 15% (9 of 59) of payment vouchers reviewed were approved by unauthorized personnel, which weakened the internal control process.

Of the 59 travel vouchers reviewed, audit staff found that 9 (15%) were not certified for payment by an employee in a higher classification than the claimant. Seven of the forms were certified for payment by the claimants' subordinates, one was certified by the claimant himself, and one did not include any certifying signature. The control process of supervisory review reduces the possibility of improper payments and is weakened when a claim is approved by a claimant's subordinate because the subordinate may feel influenced not to review or question the claim to the degree that a supervisor would.

The audit recommended that expense claim forms be reviewed and signed by the claimant's supervisor as required by the King County Code, or by the appropriate division manager or department director if the claimant is a supervisor or manager, and that Accounts Payable return claim forms to the claimant when they do not contain an authorizing signature.

Finding II-D. Meal expenses were not reimbursed uniformly.

The King County Code required that a fixed allowance for meals be paid to employees in travel status. However, of the 59 travel claim forms reviewed, only 58% of those which included meal reimbursements were paid on a fixed allowance basis. A reason for reimbursing meals on a fixed allowance basis was to reduce the administrative time involved with tracking receipts for actual meal expenses; however, several departments still required receipts for meals. The audit found that meal reimbursements sometimes exceeded the fixed allowance amount when the meal was charged on a County credit card or when an employee claimed meal expenses for fewer than three meals in a day, but the excess amounts were not repaid to the County.

The audit recommended that reimbursement for all meals be made at the fixed allowance amount; persons responsible for authorizing travel provide adequate information regarding meal expense reimbursement to the traveler; and OFM prepare an Administrative Policy and Procedure to clarify when meals are reimbursable and that when all meals for a day are not claimed, other meals claimed are limited to the fixed allowance amounts established for partial day travel status. It should be noted that the Executive believes that it is better public policy to reimburse actual costs of meals up to the fixed allowance amount, and will be revising the current policy to reflect this change.

Finding II-E. 73% (19 of 26) of claims reviewed did not include the required documentation to demonstrate a direct relationship between the purpose of requested travel and employee work functions.

Of the 59 travel transactions reviewed, 26 required a travel authorization form to specify that there was a "direct relationship between the purpose of the travel and the employee work functions" (KCC 3.24.040A) and what benefit the County would receive from the travel. This requirement is satisfied by attaching printed material or a description of the content and quality of the event to the Travel Authorization & Claim Voucher form at the time the travel is requested. The audit found that 73% (19 of 26) of Travel Authorization & Claim Vouchers did not include any printed material or description. Consequently, audit staff were unable to determine whether travel expenditures were made for County-authorized purposes or whether the County received a direct

benefit from the travel.

The audit recommended that employees be required to attach adequate documentation, such as a conference brochure indicating the overall content and quality of the requested event, to the Travel Authorization & Claim Voucher and that the benefit of the travel to the County be specifically stated on the voucher form.

Finding II-F. Travel advances exceeding actual expenditures were not refunded by employees within the allowed time frame and interest was not collected on unsettled accounts as required.

RCW 42.24.150 requires that travel advances be settled within ten calendar days after returning from travel and that any unsettled advances be withheld from an employee's paycheck and assessed interest at the rate of 10% per year. The 59 transactions reviewed by audit staff included six where the employee was paid a travel advance. Three of those six advances, as well as six additional travel advances identified through a review of the State Auditor's Office workpapers, were not settled within the required ten-day period, nor were they assessed interest as required. The unsettled advances ranged from \$140 to \$1,731 and were settled between 1 and 37 days late.

The audit recommended that OFM begin withholding unsettled travel advances from employee paychecks and assessing interest on those amounts as required by the RCW, and that at the time employees submit their request to travel they be notified that this policy will be enforced.

Finding III-A. Credit card charges were not limited to use for overnight travel expenses and were used for personal expenses.

RCW 42.24.115(1) and the King County Procedures for Credit Card Usage require that credit cards for travel expenses be separate from credit cards used for other purposes. King County procedures also prohibit personal use of the credit cards. However, audit staff found that departments generally were unaware of these restrictions and, consequently, frequently used the credit cards for expenses other than overnight travel expenses, such as subscriptions, memberships to professional organizations, books and other publications, local parking, and gasoline for County vehicles. Also, credit cards were occasionally used for personal expenses. Although all personal expenses were reimbursed to the County, these charges were clearly in violation of the Procedures for Credit Card Usage.

The audit recommended that the Department of Executive Administration revise the Procedures for Credit Card Usage to add a reference to the RCW requirement that limits use of credit cards to authorized travel expenses and a statement to notify departments that if they habitually misuse the credit cards, their credit cards will be rescinded. The audit also recommended that the Department of Executive Administration meet with all department directors to distribute and discuss the procedures to ensure that the limitations applicable to the use of County credit cards are clearly understood.

Finding III-D. The Credit Card Program was in compliance with only one of the nine guidelines in the procedures for credit card usage.

Each department that had a credit card had its own account number and received billings directly from Seafirst Bankcard Services, and was responsible for its own account. The Procedures for Credit Card Usage reflected a monthly limit on the credit cards rather than the maximum limits that were established for each credit card. The audit found that departmental review of credit card statements did not ensure that unauthorized payments were not made; credit card usage was not limited to overnight County business travel charges; required receipts were not always attached or were not well documented as to what they were for; and credit card statements were not processed in a timely manner, especially when the required receipts were not attached.

The audit recommended that the Department of Executive Administration revise the Procedures for Credit Card Usage to reflect the credit card limit amount and to include a statement regarding the timely submission of accounts payable vouchers when receipts are not available.

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