

**OFFICE OF THE CITY CONTROLLER**



**FINANCE AND ADMINISTRATION 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

May 12, 2000

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

SUBJECT: Finance and Administration Department  
Travel and Travel-Related Expenses – Compliance Review  
(Report No. 00-03)

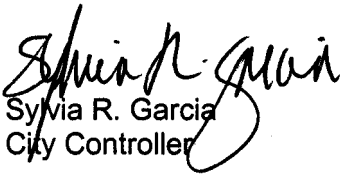
Dear Mayor Brown:

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 Finance and Administration Department (the Department) for the period of July 1, 1998 through September 30, 1999.

MJLM designed the review to determine the Department's compliance with Administrative Procedure No. 2-5 and whether expenses were supported, computed, approved, recorded and reported properly. Their report, attached for your review, noted that the Department was in compliance overall with the travel policy. However, specific instances of noncompliance were noted and MJLM made recommendations that can help the Department improve compliance with the policy. Draft copies of the report were provided to Department officials. The findings and recommendations are presented in the body of the report and the views of the responsible officials are appended to the report as Exhibit I.

We appreciate the cooperation extended to the MJLM auditors by Department personnel during the course of the review.

Respectfully submitted,

  
Sylvia R. Garcia  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Cheryl Dotson, Chief of Staff, Mayor's Office  
Sara Culbreth, Acting Director, Finance and Administration Department



McCONNELL JONES LANIER & MURPHY L.L.P.  
CONSULTANTS & BUSINESS ADVISORS

April 25, 2000

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 Finance and Administration 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 'Odysseus M. Lanier'.

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) Finance and Administration 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

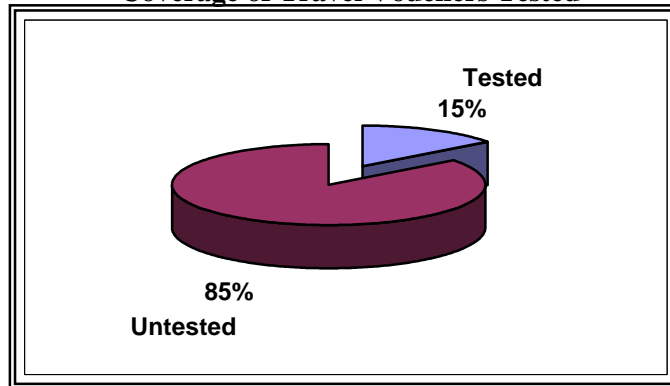
To test the Department’s compliance with the travel policy, MJLM employed various techniques and review procedures. Our methodology included randomly selecting a sample of travel vouchers for testing and developing testing criteria from the travel policy.

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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 271 vouchers, 40 were randomly selected for testing. **Exhibit 1** depicts the sample coverage based on the voucher population.

**Exhibit 1  
Coverage of Travel Vouchers Tested**



Source: MJLM Review Team

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

made to these codes were examined to determine if travel expenses had been misclassified. Based on the descriptions provided, no instances were noted where travel expenses appeared to be misclassified to object codes 3900 and 3905.

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.

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## Summary of Findings and Recommendations

### FINDING

Expense reports were completed more than 10 calendar days after the trip for 15 of 40 vouchers and 10 working days after the trip for 7 of 40 vouchers.

#### Recommendation 1

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

### FINDING

Travel expenses were misclassified on 12 of 40 travel vouchers.

**Recommendation 2**

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

**FINDING**

In 5 of the 32 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the expense report. The travel policy states in section 7.7.1 that when reimbursement is requested, employees must attach a copy of the canceled airline ticket stub to the expense report.

**Recommendation 3**

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

**FINDING**

Proper approvals were not obtained on travel documents for 5 of 40 vouchers. In one of these instances, the Travel Authorization Request was completed and approved *after* the trip.

**Recommendation 4**

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

**FINDING**

For 26 of the 40 vouchers, the authority, the employee, or both did not date travel forms.

**Recommendation 5**

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

**2.0 BACKGROUND**

City of Houston employees attend a variety of local and out-of-town conventions, conferences, seminars, workshops, and meetings to gain knowledge specific to their area of responsibility, enhance professional skills, and conduct City business. The City's travel policy, revised May 1, 1999, outlines procedures for City employees to obtain approval for and reimbursement of travel expenses connected with both local and out-of-town travel. It designates those responsible for authorizing travel and sets forth the procedures and forms necessary to obtain approval for travel, travel advances, and reimbursement of travel expenses. The policy also distinguishes between travel expenses that are eligible and not eligible for reimbursement. The policy applies to all salaried and nonsalaried City employees and to all elected officials.

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

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

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

*Source: City of Houston Controller's Office*

The Finance and Administration Department directs the financial, administrative, and regulatory affairs of the City of Houston and implements and monitors citywide policies and procedures. The Department develops and manages the annual budget, assesses and collects taxes, manages the City's debt, and is responsible for regulatory compliance, emergency management, energy management, facilities management, materials and records management, information services, and employee pension and payroll. Finance and Administration also administers the Municipal Channel on cable television and the 9-1-1 emergency network.

The Department incurred \$284,797 in travel and travel-related expenses during the review period. This amount represents 6 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.

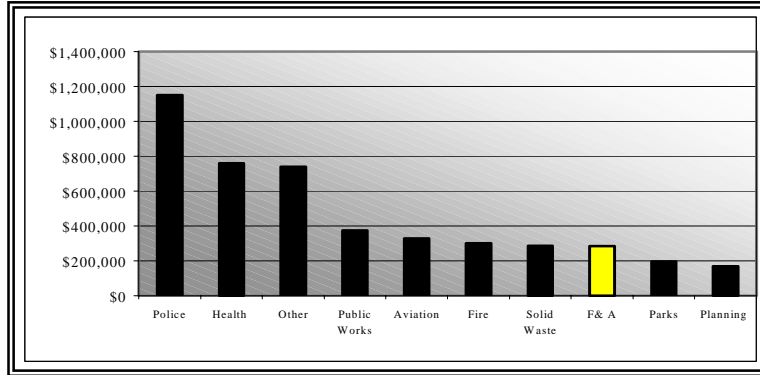
**Exhibit 3**  
**Finance and Administration Department**  
**Travel and Travel-related Expenses**  
**July 1, 1998 through September 30, 1999**

Object Code	Total
3910 Travel-Training	\$238,220
3950 Travel Non-Training	\$46,577
<b>Total Travel Expenses</b>	<b>\$284,797</b>

*Source: City of Houston Controller's Office*



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

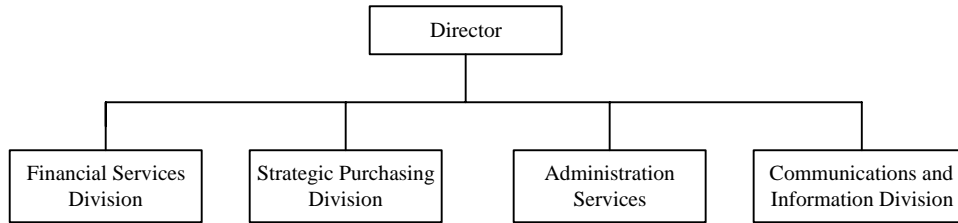


Source: City of Houston Controller's Office

**3.0 CURRENT SITUATION**

The Director of Finance and Administration is responsible for the overall management of the Department and its staff of 570 employees. **Exhibit 5** presents the Department's organization chart.

**Exhibit 5**  
**Finance and Administration Department Organization Chart**



Source: Finance and Administration 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).

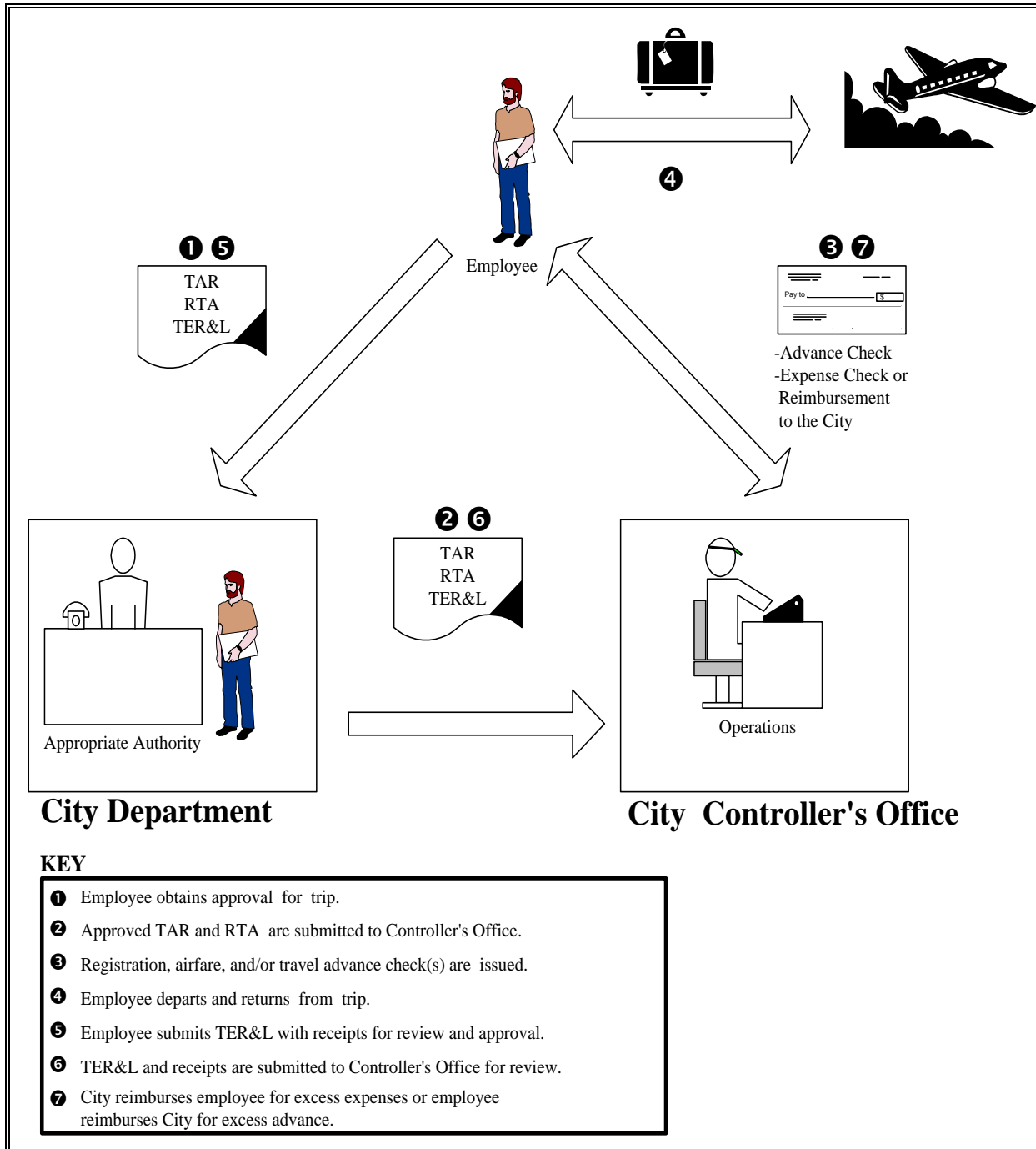
Employees must use a TAR to obtain approval for local and out-of-town travel. Effective May 1, 1999, department directors are required to submit an Appendix E, "Department Director's Personal Leave & Itinerary to Attend Conventions, Conferences, Workshops, and

*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, an RTA is also submitted for approval. The approved TAR and RTA are then forwarded to the Controller’s Office for review and issuance of funds. Conference registration fees and airfare are often paid well in advance of a trip. This practice reduces overall travel costs because many conferences and airlines offer discounts for early payment. Employees are required to submit RTAs to the Controller’s Office at least five days before the trip. Once the Controller’s Office has received an approved TAR and RTA, the employee receives the travel advance and departs on the trip.

Within 10 days after completion of the trip, the employee is required to complete an expense report. The employee and the appropriate authority sign the expense report and submit it to the Controller’s Office for liquidation. Liquidation is the process of settling the travel advance. If actual travel expenses are less than the travel advance, the employee attaches a check to the expense report to reimburse the City for the excess. If actual travel expenses are greater than the travel advance, the Controller’s Office issues the employee a check for the difference. **Exhibit 6** depicts the general flow of the travel authorization and reimbursement process.

**Exhibit 6  
Travel Authorization and Reimbursement Process**



Source: MJLM Review Team

## 4.0 FINDINGS AND RECOMMENDATIONS

### FINDING

Expense reports were completed more than 10 calendar days after the trip for 15 of 40 vouchers and 10 working days after the trip for 7 of 40 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. However, this provision is not consistent within the policy and is easily misinterpreted. Language on the RTA requires employees to submit expense reports within 10 *working* days after returning from a trip. In the instances noted, expense reports were completed between 1 and 268 days after 10 calendar days had expired and between 1 and 263 days after 10 working days had expired. The purpose of the 10-day rule is to ensure that travel expenses are recorded and excess travel advances are promptly returned to the City.

**Exhibit 7** presents those vouchers that were not in compliance with the 10-day rule based on both calendar and working days.

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

Transaction Reference	Date Trip Completed	Date TER&L Completed	Days Overdue Based on Calendar Days	Days Overdue Based on Working Days
PV65996501456	7/12/98	4/16/99	268	263
PV65996500563	11/5/98	1/21/99	67	52
PV65996500560	11/5/98	1/4/99	50	35
PV65996501377	1/21/99	3/3/99	31	26
PV65996501330	3/3/99	3/30/99	17	12
PV6500650000149	7/24/99	8/10/99	7	1
PV65996501320	3/23/99	4/8/99	6	1
PV65006500195	8/7/99	8/23/99	6	0
PV65996500438	10/14/98	10/29/98	5	0
PV65996500681	9/25/98	10/8/98	3	0
PV65996501160	3/3/99	3/16/99	3	0
PV65996500289	8/14/98	8/26/98	2	0
PV65996501244	3/3/99	3/15/99	2	0
JV6599650126	8/13/98	8/24/98	1	0
PV65996500440	9/13/98	9/24/98	1	0

Source: MJLM Review Team

### Recommendation 1

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

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

**FINDING**

Travel expenses were misclassified on 12 of 40 travel vouchers. Generally, the City codes travel expenses for training seminars, conferences, and schools to 3910 Travel-Training Related if the event is intended to enhance the employee's job skills. Otherwise, travel costs are charged to Travel-Non-Training Related. Consolidated city reports and comparisons of travel expenses are meaningless if departments do not code travel expenses properly and consistently. **Exhibit 8** presents classification errors noted during the review.

**Exhibit 8  
Travel Expense Classification Errors**

<b>Transaction Reference</b>	<b>Description</b>	<b>Expenses Coded to</b>	<b>Expenses should have been Coded to</b>	<b>Explanation</b>
PV65996500006	PRIMA – Texas Chapter Board Meeting	3910	3950	Travel was to attend a meeting, which was not training related.
PV65996500014	Emergency Mgmt. Association of Texas, Board Meeting	3910	3950	Travel was to attend a meeting, which was not training related.
PV65996500300	Municipal Franchise Agreements committee meeting.	3910	3950	Travel was to attend a meeting, which was not training related.
PV65996500289	PRIMA – Texas Chapter Board Meeting	3910	3950	Travel was to attend a meeting, which was not training related.
PV65996500438	1998 United States Olympic Congress	3910	3950	Promoting the City's interest should be coded to 3950 since it is not training related.
PV65996500475	TML Annual Conference & Exhibition	3910	3950	Expenses should be coded to 3950 since conference activities were not training related.
JV6599650364	United States Olympic Congress	3910	3950	Promoting the City's interest should be coded to 3950 since it is not training related.
PV65996501242	National Cooperative Purchasing Program Meeting.	3910	3950	Travel was to attend a meeting, which was not training related.

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

<b>Transaction Reference</b>	<b>Description</b>	<b>Expenses Coded to</b>	<b>Expenses should have been Coded to</b>	<b>Explanation</b>
PV65996501320	Testifying at State Capitol on Telcom bills	3910	3950	Testifying for the City's interest should be coded to 3950 Travel-Non-Training since it is not training related.
PV6500650000149	Large Cities Executive Forum	3910	3950	Forum expenses should have been coded to 3950 Travel-Non-Training since activities were not training related.
PV65006500116	Consolidated Vehicle Procurement Meeting.	3910	3950	Travel was to attend a meeting, which was not training related.
PV65996501456	Trip to China	3910	3950	Promoting the City's interest should be coded to 3950 since it is not training related

Source: MJLM Review Team

Object Code Descriptions

3910 Travel-Training

3950 Travel-Non-Training

**Recommendation 2**

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

**FINDING**

In 5 of the 32 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 3**

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

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

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

**FINDING**

Proper approvals were not obtained on travel documents for 5 of 40 vouchers. In one of these instances, the TAR was completed and approved *after* the trip. The employee signed the TAR on 3/3/99, and the authority approved it on 3/26/99. However, the employee completed the trip on 1/21/99.

Section five of the policy establishes responsibilities for approval of travel documents and requires department directors or their designees to approve travel documents for their subordinates. When designated authorities do not approve travel documents, the intent of the travel policy is defeated, and an environment conducive to abuse is created. **Exhibit 9** summarizes the exceptions.

**Exhibit 9  
Travel Documents Not Properly Approved**

Transaction Reference	TAR	RTA	TER&L	Explanation
PV65996501377	☑			TAR was completed and approved <i>after</i> the trip.
PV65996500006	☑		☑	Authority did not approve travel documents.
PV65996501244	☑	☑	☑	Authority did not approve travel documents.
PV65996501207			☑	Authority did not approve expense report.
PV6500650000149			☑	Authority did not approve expense report.

Source: MJLM Review Team

☑-Designates the travel document that was not properly approved.

**Recommendation 4**

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

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

**FINDING**

For 26 of the 40 vouchers, the authority, the employee, or both did not date travel forms. While, the policy does not specifically require employees or authorities to date travel forms, it is implied because the forms have a place for a date. The Department cannot successfully monitor compliance with certain travel policy provisions if travel forms are not dated. For example, the purpose of the TAR is to approve travel before expenses are incurred. There is no way to

determine if travel is being approved prior to trips unless both the employee and authority date the TAR. Additionally, employees must submit expense reports within 10 days of completing a trip. Compliance with this provision cannot be monitored unless employees date the TER&L. **Exhibit 10** presents those forms not dated by the authority or employee.

**Exhibit 10**  
**Forms Not Dated by the Authority or Employee**

Transaction Reference	Form(s) Not Dated	Not Dated by Authority	Not Dated by Employee
PV65996500006	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996500014	TAR	<input checked="" type="checkbox"/>	
PV65996500439	TAR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PV65996500475	TAR		<input checked="" type="checkbox"/>
PV65996500532	TAR	<input checked="" type="checkbox"/>	
PV65996500561	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996500563	TAR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PV65996500562	TAR	<input checked="" type="checkbox"/>	
PV65996500488	TAR	<input checked="" type="checkbox"/>	
PV65996500560	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996500681	TAR	<input checked="" type="checkbox"/>	
PV65996500680	TAR	<input checked="" type="checkbox"/>	
PV65996501144	TAR	<input checked="" type="checkbox"/>	
PV65996501160	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996501242	TAR	<input checked="" type="checkbox"/>	
PV65996501207	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996501244	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996501320	TAR	<input checked="" type="checkbox"/>	
PV65996501330	TAR		<input checked="" type="checkbox"/>
PV65996501511	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65996501606	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



**Exhibit 10 (Continued)**  
**Forms Not Dated by the Authority or Employee**

Transaction Reference	Form(s) Not Dated	Not Dated by Authority	Not Dated by Employee
PV6500650000149	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65006500116	TAR TER&L	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
PV65006500195	TAR	<input checked="" type="checkbox"/>	
PV65006500223	TAR	<input checked="" type="checkbox"/>	
PV65996501456	TAR TER&L	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Source: MJLM Review Team

**Recommendation 5**

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

## 5.0 APPENDIX

## Compliance Questions Developed from Travel Policy

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

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

<b>Question</b>	<b>Description</b>
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)**

<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?

# EXHIBIT 1



## CITY OF HOUSTON

Finance & Administration Department  
Post Office Box 1562 Houston, Texas 77251 713/247-1000

Lee P. Brown, Mayor

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

Sara S. Culbreth  
Acting Director  
Finance & Administration

April 4, 2000

Mr. Odysseus Lanier, Partner  
McConnell Jones Lanier & Murphy  
11 Greenway Plaza, Suite 2902  
Houston TX 77046

Dear Mr. Lanier:

We have received your audit report on the compliance review of our travel and travel-related expenses for the period July 1, 1998 through September 30, 1999. We are pleased that the overall conclusion of your review is that the Finance and Administration Department (F&A) is in compliance with Administrative Procedure (AP) 2-5. Our response to the exceptions noted is as follows:

**I. Finding**

Expense reports were completed more than 10 calendar days after the trip for 15 of 40 vouchers and 10 working days after the trip for 7 of 40 vouchers.

**Response**

Section 9.2 states that an expense report should be completed in 10 days. Section 9.2 does not define "days". However, section 9.1 and related forms identify 10 days as 10 working days. F&A interprets Section 9.2 as 10 working days, consistent with Section 9.1

F&A will enforce compliance with the travel policy by requiring employees to turn in expense reports within 10 working days of their return.

**II. Finding**

Travel expenses were mis-classified on 12 of 40 travel vouchers.

**Response**

The Travel Authorization Form (Appendix B) in effect during the period reviewed did not specify whether the travel was training- or non-training-related. We have added a question (#7) to the form (attached) for employee's to identify the nature of the travel in order to better classify the expenses.

*Views of Responsible  
Officials*

# EXHIBIT 1

April 4, 2000  
Page 2 of 3

### III. Finding

In 5 of the 32 instances in which employees traveled by air, the canceled airline ticket stub was not attached to the expense report. The travel policy states in section 7.7.1 that when reimbursement is requested, employees must attach a copy of the canceled airline ticket stub to the expense report.

#### Response

F&A will reiterate to all employees who travel by air the requirement to attach to the expense report the ticket stub or a copy of ticket confirmation notice for ticketless travel. F&A will also reinforce reviewing process to ensure the completeness of all supporting documentation.

### IV. Finding

Proper approvals were not obtained on travel documents for 5 of 40 vouchers. In one instance the Travel Authorization Request was completed and approved after the trip.

#### Response

During the departmental reorganization in early 1999, signature authority was not timely established and therefore caused confusion. Since then, F&A has required all travel requests be approved by the authorized chain of command and signature forms have been distributed to Business Office employees for use in review and enforcement.

### V. Finding

For 26 of the 40 vouchers, the authority, the employee, or both did not date travel forms.

#### Response

F&A has added a separate field on the travel request form (attached) as a reminder to employees and authorities to provide dates. F&A Business Office employees who review the travel forms will date-stamp the forms upon receipt; however, this is not evidence of timeliness of approval by the appropriate authority. It is only evidence of the timeliness of processing.

If you have any questions, please call Sophia Chang at 713-837-9628.



Sara S. Culbreth, Acting Director  
Finance and Administration Department

xc. Kathy Mosley, Deputy Director, F&A  
Sophia Chang, Division Manager, F&A

SSC:sc

*Views of Responsible  
Officials*

# EXHIBIT 1

## Appendix B

### TRAVEL AUTHORIZATION TO ATTEND CONVENTIONS, CONFERENCES, WORKSHOPS, AND BUSINESS RELATED MEETINGS

1. \_\_\_\_\_ F&A/ \_\_\_\_\_  
Name of Employee Dept/Div Org #

2. Title of convention/conference/workshop or purpose of business related travel:

3. Location, dates, phone number( in event employee must be contacted while traveling)

4. Topics to be discussed/business to be transacted:

5. Other department/division employees attending:

6. Will a rental car be required? \_\_\_\_\_ Yes \_\_\_\_\_ No  
If yes, justification

7. Training Related? \_\_\_\_\_ Yes \_\_\_\_\_ No

8. Estimated Cost of travel	\$ _____
Airline/rail travel	\$ _____
Ground transportation (taxi, bus, subway, etc.)	\$ _____
Registration Fee	\$ _____
Lodging	\$ _____
Meals	\$ _____
Rental car	\$ _____
Other	\$ _____
Total	\$ _____

Approved:

\_\_\_\_\_  
Employee's Signature Date Authorizing Signature Date

*Views of Responsible  
Officials*