

OFFICE OF THE CITY CONTROLLER



**CONVENTION AND ENTERTAINMENT FACILITIES DEPT.
TRAVEL AND TRAVEL-RELATED EXPENSES
COMPLIANCE REVIEW
FOR THE PERIOD OF JULY 1, 1996
THROUGH DECEMBER 31, 1997**

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor



SYLVIA R. GARCIA

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

February 26, 1999

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

SUBJECT: Convention and Entertainment Facilities Department
Travel and Travel-Related Expenses – Compliance Review
(Report No. 98-33)


Dear Mayor Brown:

In accordance with the City's contract with Empirical Management Services (EMS), EMS has completed a review of travel and travel-related expenses incurred by the Convention and Entertainment Facilities Department (the Department) for the period of July 1, 1996 through December 30, 1997.

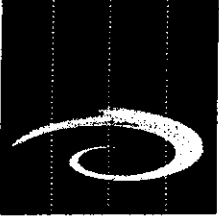
EMS designed the review to determine the Department's compliance with Administrative Procedure No. 2-5 and whether expenses were supported, computed, approved, recorded and reported properly. Their report, attached for your review, noted that the Department was in compliance overall with the travel policy. Also, several recommendations were made that should help 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 EMS auditors by Department personnel during the course of the review.

Respectfully submitted,


Sylvia R. Garcia
City Controller

xc: City Council Members
Albert E. Haines, Chief Administrative Officer
Jorge Cruz-Aedo, Director, Finance and Administration Department
Gerard Tollett, Director, Convention and Entertainment Facilities Department



EMPIRICAL
MANAGEMENT SERVICES

8323 SW FWY, STE 510
HOUSTON, TX 77074
713.988.8100
FAX 713.988.8137

January 29, 1999

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 Empirical Management Service's (EMS) compliance review of the travel and travel-related expenses of the City of Houston's Convention and Entertainment Facilities Department (the Department) for the period July 1, 1996 through December 31, 1997. Our review was conducted in accordance with agreed upon procedures as outlined in the Engagement Letter between the City of Houston and EMS dated April 23, 1998.

The purpose of this 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. We have also made recommendations that can help the Department improve 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,

Odysseus M. Lanier
President

City of Houston
Convention and Entertainment Facilities Department

Compliance Review of Travel and Travel-related Expenses
Period July 1, 1996 through December 31, 1997

Table of Contents

1.0	Executive Summary	1
2.0	Background	7
3.0	Current Situation	9
4.0	Findings and Recommendations	13
5.0	Appendix	23

1.0 EXECUTIVE SUMMARY

Empirical Management Services (EMS) performed a compliance review of the travel and travel-related expenses of the City of Houston’s (the City) Convention & Entertainment Facilities Department (CEFD) for the period July 1, 1996 through December 31, 1997. The purpose of the review was to determine the CEFD’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 also included determining if travel expenses were supported, computed, approved, recorded, and reported properly.

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

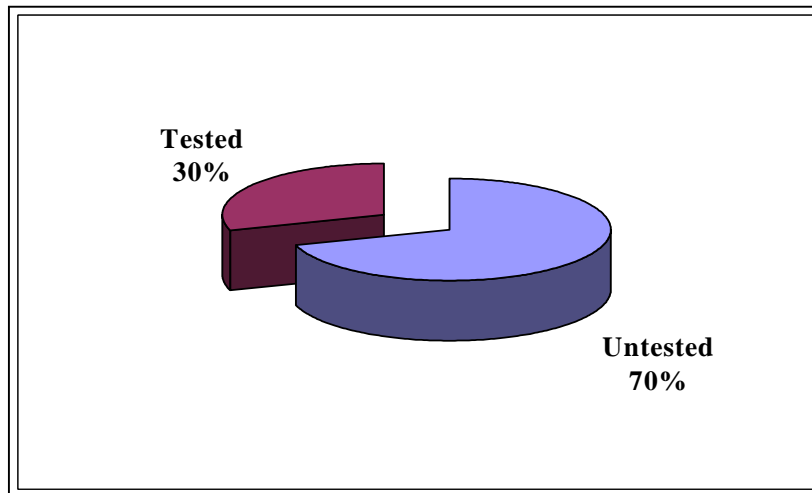
- 1.0 Executive Summary
- 2.0 Background
- 3.0 Current Situation
- 4.0 Findings and Recommendations
- 5.0 Appendix

To test the CEFD’s compliance with the travel policy, the EMS review team employed various techniques and review procedures. Our methodology included randomly selecting a sample of travel vouchers for testing, developing testing criteria from the travel policy, and formulating a grading scale to measure the CEFD’s degree of compliance.

Review Methodology

The EMS review team obtained a list of all of the travel vouchers issued during the review period. We randomly selected 70 vouchers for testing from a population of 233 vouchers. **Exhibit 1** depicts the sample coverage based on the voucher population.

Exhibit 1
Coverage of Travel Vouchers Tested



Source: EMS Review Team

To develop compliance test criteria, the EMS review team obtained a copy of A.P. No. 2-5 and identified 68 specific requirements in the policy. Compliance-related questions were developed from these 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).”

From this requirement, the EMS review team developed the question: “Are actual meal charges for the period of travel equal to or below the allowed per diem rate of \$40.00 per day?” Such questions were applied to each voucher with “yes,” indicating compliance, “no,” indicating noncompliance, or “N/A,” indicating not applicable. Questions were answered “not applicable” because many of them did not apply to every voucher. For example, per diem meal charge questions did not apply to vouchers for conferences if meal charges were already included in the registration fee.

Upon completion of the compliance tests, the CEFD received a grade based on the following formula:

$$\frac{\text{Total Yes Answers}}{\text{Total Applicable Questions}} = \text{Department Grade}$$

Exhibit 2 presents a summary of the CEFD’s results:

**Exhibit 2
Summary of Voucher Test Results**

Total vouchers reviewed	70
Policy requirements tested	68
Total yes answers	1,669
Total no answers	172
Total applicable questions	1,841
Department grade	91%

Source: EMS Review Team

Grades were evaluated based on the scale in **Exhibit 3**.

Exhibit 3
Convention & Entertainment Facilities Department
Travel Voucher Grading Scale

Grade	Conclusion
75% to 100%	Department is in compliance with the City’s travel policy.
0% to 74%	Department is not in compliance with the City’s travel policy.

CONCLUSION

Based on a grade of 91 percent, The CEFD was in compliance with A.P. No. 2-5 during the review period. Although the CEFD was in compliance during the review period, the EMS review team noted specific instances of departure from the travel policy. Our findings and recommendations for improvement are presented in the following section.

Findings and Recommendations

FINDING

There is no efficient method of cross-referencing and identifying all transaction vouchers related to specific trips. Transaction vouchers are used to record various transactions including travel expenses. For example, one transaction voucher is used to pay travel advances and another is used to pay airfare. It is difficult to identify and pull together into one package all of the transaction vouchers related to a specific trip because each transaction voucher has a unique reference number that is not cross-referenced to other vouchers.

Payment vouchers for airfare and registration fees would be easier to locate if references to these documents were made directly on the expense report. The expense report already includes a line for registration fees paid directly by the employee; however, the City usually pays registration fees and airfare in advance. The report could be modified to include a reference section for airfare and registration fees paid in advance. This information would not affect the amount of reimbursement but would be used to pull together, in one place, all related travel expenses.

RECOMMENDATION

Confer with the Finance and Administration Department to consider including a section on the travel expense report that documents prepaid airfare and registration fee information.

The travel expense report would have to be redesigned in order to implement this recommendation. A section should be added that references the amount, date paid, and payment voucher number of prepaid airfare and registration fees.

FINDING

Client entertainment expenses were charged on 34 out of 70 expense reports. Client entertainment expenses are not addressed in the City's travel policy; however, during fiscal 1996, the CEFD obtained approval to reimburse these types of expenses. The travel policy limits individual meal charges to per diem maximums, but no such limit applies to client entertainment expenses.

Although the dollar amounts are relatively minor in comparison to convention revenue, client entertainment and other travel cost information could be useful as a performance measure if tracked over time. CEFD would use this information to measure whether or not its investment in travel and client entertainment is having the desired effect of drawing conventions to the City.

RECOMMENDATION

Confer with the City Controller's Office to consider establishing a client entertainment object code to track and monitor client entertainment expenses, and use the information to measure the success of marketing efforts.

Client entertainment expenses are necessary to attract potential clients to the George R. Brown Convention Center (GRBCC), but they should be tracked and monitored because, unlike individual meals, they are not subject to maximum per diems. The CEFD should, in coordination with the City Controller, establish a client entertainment object code to be used exclusively by the CEFD. This would allow the CEFD to track and monitor client entertainment expenses and to compare dollars invested to revenues generated. In addition, the CEFD should confer with the Finance and Administration Department to consider developing policies and procedures governing client entertainment expenses.

FINDING

Classification of travel expenses is inconsistent within and among City departments. Consolidated reports and comparisons of travel expenses are meaningless if all City departments do not code expenses properly and consistently. Vague object code descriptions contribute to the problem.

RECOMMENDATION

Confer with the City Controller's Office to consider establishing new object code descriptions for travel and travel-related expenses, and periodically review travel-related object codes for misclassified expenses.

A simpler, more logical option is to classify amounts as either local or out-of-town travel expenses.

FINDING

For 10 out of 70 vouchers, travel authorization forms had not been approved as prescribed by the travel policy. The policy requires that designated authorities approve the various travel documents. The EMS review team noted that subordinates were approving their supervisor's travel documents.

RECOMMENDATION**Enforce travel policy authorization provisions.**

The travel policy states, "The approved original of the Travel Authorization Request and related receipts must accompany the Travel Expense Report and Travel-related Log when it is submitted for reimbursement." City funds should not be paid until all the proper approvals have been obtained. Individuals responsible for reviewing travel documents must verify that proper authorizing signatures are present before funds are released.

FINDING

A form entitled "Civic Center Department Monthly Expense Report" is used to document and approve reimbursement of client entertainment, private auto, and other expenses. This form is not the expense report prescribed by the travel policy.

RECOMMENDATION**Obtain approval to use the Civic Center Department Monthly Expense Report since it represents a deviation from forms prescribed by the travel policy.**

City departments should have flexibility to design travel forms that meet unique needs. However, any deviation from the established travel policy should be preapproved or the travel policy should be changed to allow for flexibility without prior approval.

FINDING

The EMS review team noted that 5 out of 70 expense reports were completed more than 10 days after the trip. The travel policy requires employees to complete an expense report no later than 10 days after completion of the trip. The Request for Travel Advance (RTA) contains a statement requiring employees to comply with the 10-day rule. The statement on the RTA is worded differently than the one in the travel policy. The wording on the RTA reads: "*I agree to submit all required expense statements **within ten (10) working days** of my return....*" However, the wording in the travel policy reads: "*Employees are required to complete a Travel Expense Report and Travel-related Log, **no later than 10 days** after completion of the trip.*"

RECOMMENDATION

Confer with the Finance and Administration Department to consider revising the 10-day rule on the Request for Travel Advance to read: "I agree to submit all required expense statements no later than 10 days after completion of my trip." As an alternative,

management may consider revising the policy to read: “no later than 10 working days after completion of the trip.”

Although the discrepancy between the RTA and the travel policy may not account for every violation of the 10-day rule, it could be a contributing factor, especially if employees are confused by the discrepancy. To avoid confusion, the language in both documents should be made consistent.

FINDING

For 37 out of 70 vouchers, the employee or supervisor did not date the Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings form, also known as the Travel Authorization Request (TAR). The policy does not specifically require that employees and supervisors date the TAR. However, the requirement is implied because the form has a place for a signature and a date. 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 supervisor date the TAR.

RECOMMENDATION

Promote date stamping of travel documents at critical processing points, and encourage employees and supervisors to date all travel documents.

FINDING

The review team noted minor instances of noncompliance such as minor math errors, missing receipts, and incomplete documentation. Such minor instances of noncompliance result from oversight on the part of the individual(s) reviewing and/or processing vouchers for payment.

RECOMMENDATION

Develop a checklist to use when reviewing travel documents and related supporting documentation.

If designed properly, checklists help reviewers of travel documentation eliminate oversight of major and minor instances of noncompliance. The Appendix, in section five of this report, contains compliance questions the review team developed from the travel policy. The review team used these questions to test compliance of the vouchers selected in our sample. The Department could use these questions as a starting point for developing their own checklist.

FINDING

In three instances, employees charged airport parking on their expense reports in spite of a benefit that allows City employees to park at either Bush International or Hobby Airport while traveling on City business. Although parking is free to employees, the Aviation Department charges CEFD for this benefit. To take advantage of this benefit, employees must obtain a City Official Business Parking Permit.

RECOMMENDATION

Confer with the Finance and Administration Department to consider including a discussion of the parking permit in the travel policy.

Section 7.3 of the travel policy, which discusses parking, should be revised to include a discussion of this permit including whether its usage will be mandatory or optional.

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, last revised in November 1994, 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 for reimbursement and those that are not. The policy applies to all salaried and nonsalaried City employees and to all elected officials.

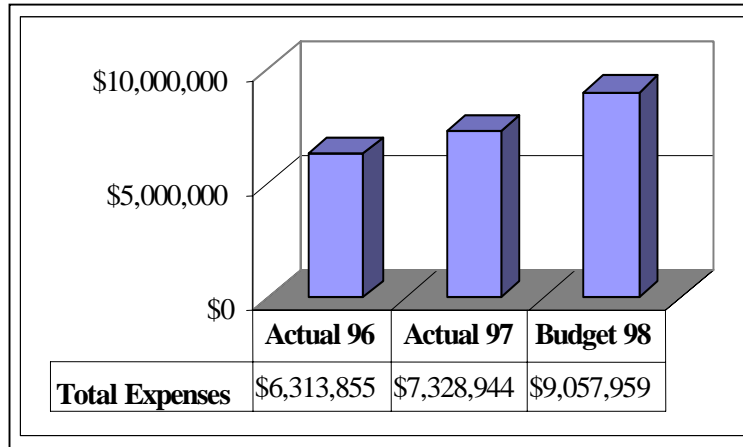
Four object codes were examined during the review of travel and travel-related expenses. Most travel and travel-related expenses are charged to object codes 30910 Travel-Training and 30950 Travel-Non-Training. Conference and seminar registration fees are considered travel-related and are charged to 30900 Education and Training. Memberships include fees for professional organizations and are charged to object code 30905 Memberships. Although not directly related to travel, this object code was included in the review to ensure that travel expenses were not being incorrectly charged to Memberships. The City charged an average of \$7.0 million in expenses to these four object codes during fiscal 1996 and 1997. **Exhibits 4 and 5** present total expenses charged to these object codes for fiscal years 1996 through 1998. The City's fiscal year runs from July 1 through June 30.

Exhibit 4
The City of Houston
Total Charges by Object Code Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

Object Code	Actual		Budget
	1996	1997	1998
30900 Education & Training	\$2,188,670	\$2,657,133	\$3,508,812
30905 Memberships	\$1,580,566	\$2,123,204	\$2,142,549
30910 Travel-Training	\$1,601,494	\$1,597,871	\$2,045,886
30950 Travel Non-Training	\$943,125	\$950,736	\$1,360,712
Total Expenses	\$6,313,855	\$7,328,944	\$9,057,959

Source: City of Houston Controller's Office

Exhibit 5
The City of Houston
Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

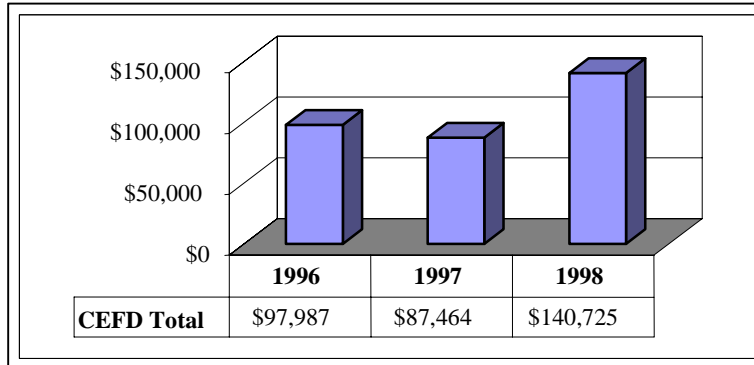


Source: City of Houston Controller's Office

The CEFD's charges to the four object codes make up less than two percent of the City's total. The CEFD operates and maintains the City's multipurpose convention and entertainment facilities. These facilities include the GRBCC, the Wortham Theater Center, Jones Hall for the Performing Arts, and The Houston Center for the Arts. The GRBCC hosts conventions, trade shows, corporate meetings, medical conferences, and a variety of other social and public events. The Wortham Theater and Jones Hall for the Performing Arts present musicals, operas, ballets, symphony performances, Broadway shows, and other public gatherings in the theater district. Travel expenses are incurred primarily to promote Houston as an international city with first-class convention and entertainment facilities. Marketing these facilities is critical to attract conventions and cultural events to Houston. **Exhibit 6** presents total expenses in the four object

codes for the CEFD for fiscal years 1996 through 1998. **Exhibit 7** compares The CEFD's and City of Houston's total for fiscal years 1996 through 1998.

Exhibit 6
CEFD Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998



Source: City Controller's Office

Note: 1996 and 1997 are actual; 1998 is budgeted.

Exhibit 7
CEFD and City of Houston
Total of Object Codes Included in
Review of Travel and Travel-related Expenses
Fiscal Years 1996 through 1998

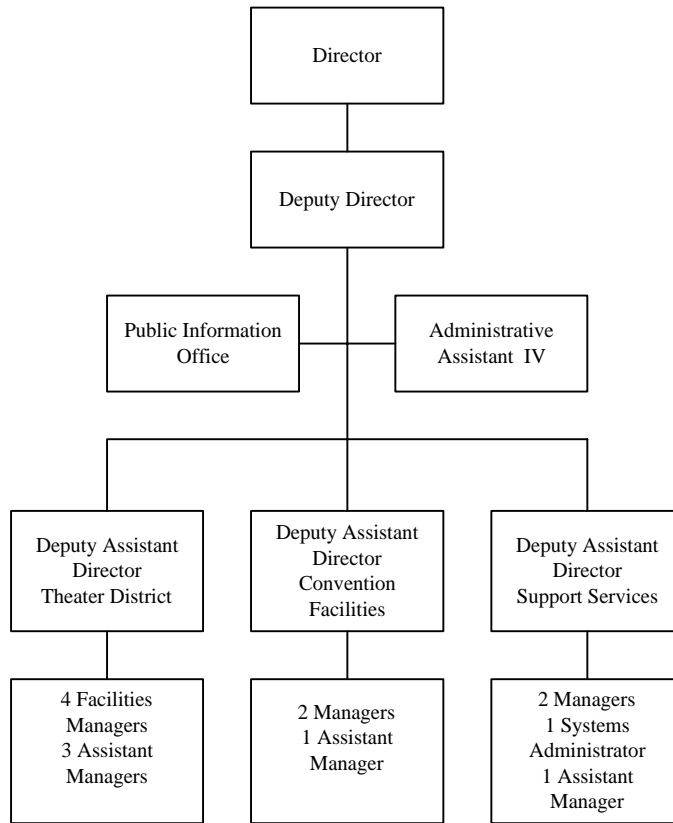
	Actual 1996	Actual 1997	Budget 1998	Percentage Increase 1996 to 1998
Total CEFD	\$97,987	\$87,464	\$140,725	43.6%
Total City	\$6,313,855	\$7,328,944	\$9,057,959	43.5%
CEFD as a Percentage of City Total	1.6%	1.2%	1.6%	

Source: City of Houston Controller's Office

3.0 CURRENT SITUATION

The Director of Convention and Entertainment Facilities is responsible for the overall management of the CEFD and is assisted by a staff of 76 employees. **Exhibit 8** presents the CEFD's organizational chart.

Exhibit 8
Convention and Entertainment Facilities
Organizational Chart



Source: Convention and Entertainment Facilities Business Office

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

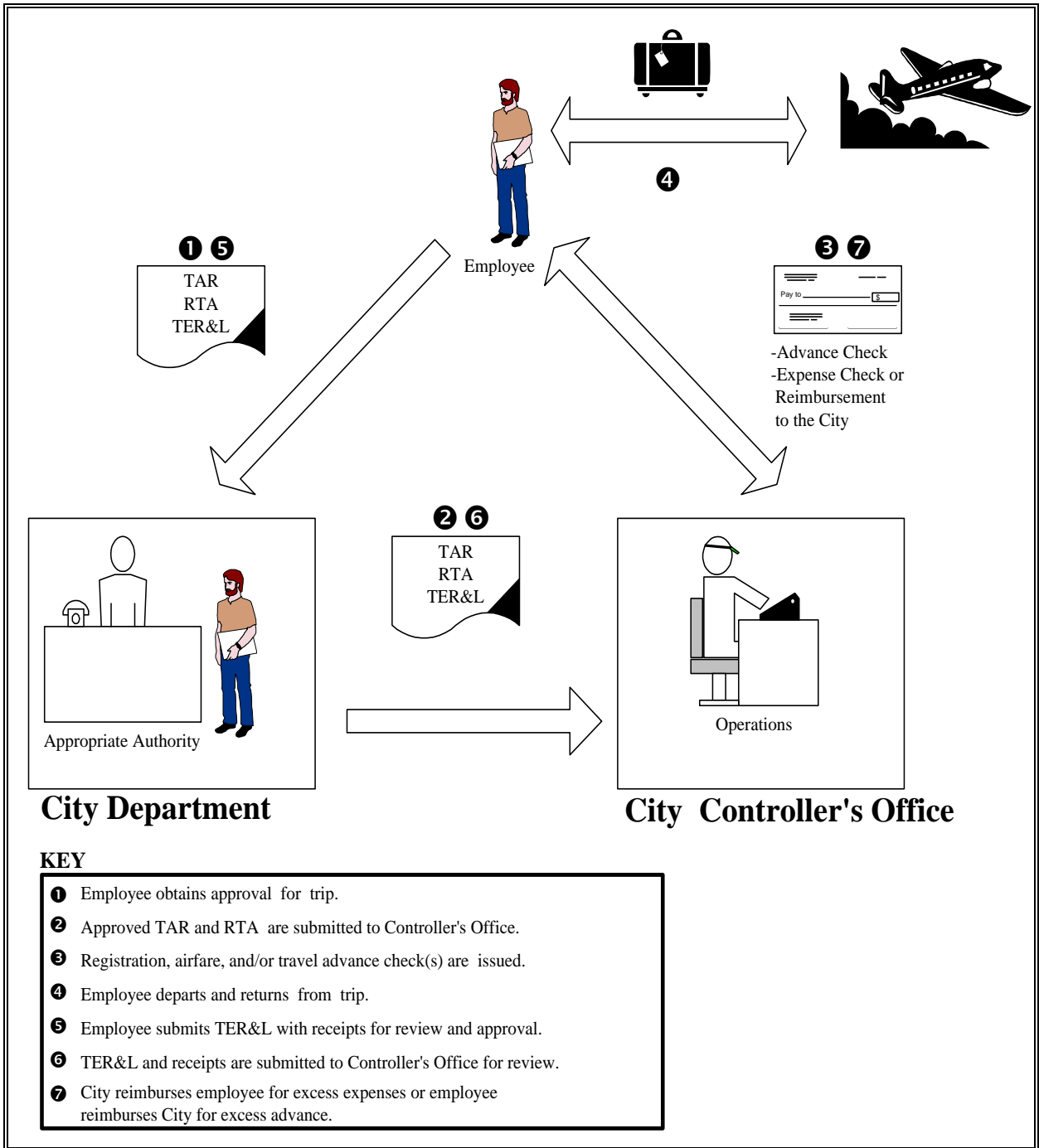
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

Employees must use a TAR to obtain approval for local and out-of-town travel. The RTA is used to request a cash advance to pay for lodging, meals, and transportation costs while traveling. The TER&L, or expense report, is used to record and request reimbursement for actual expenses incurred. Travel advances and actual travel expenses are reconciled on the RTA.

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

Within 10 days after completion of the trip, the employee is required to complete an expense report. The employee and the appropriate authority sign the expense report and submit it to the Controller's Office for liquidation. Liquidation is the process of settling the travel advance. If actual travel expenses are less than the travel advance, the employee attaches a check to the expense report to reimburse the City for the excess. If actual travel expenses are greater than the travel advance, the Controller's Office issues the employee a check for the difference. **Exhibit 9** depicts the general flow of the travel authorization and reimbursement process.

**Exhibit 9
Travel Authorization and Reimbursement Process**



Source: EMS Review Team

4.0 FINDINGS AND RECOMMENDATIONS

FINDING

There is no efficient way to cross-reference and identify all transaction vouchers related to specific trips. This makes it difficult to pull together, into one package, all of the documentation related to such trips. Transaction vouchers are used to pay and record various transactions, including travel expenses. For example, one transaction voucher is used to pay travel advances and another is used to pay airline tickets. The four types of transaction vouchers include payment vouchers, journal vouchers, cash receipt vouchers, and interdepartmental vouchers. Payment vouchers record expenditures, journal vouchers record accounting entries, cash receipt vouchers record cash receipts, and interdepartmental vouchers record transactions between departments. Up to five transaction vouchers might be produced for a single trip. Each voucher has a unique reference number that is used to retrieve supporting documentation from the Department’s files.

The TAR, RTA, and TER&L travel forms serve as supporting documentation for these transaction vouchers. Once a trip has been completed, the related travel forms are attached to and filed with one of the transaction vouchers, usually the journal voucher used for liquidation. **Exhibit 10** is a summary of documentation generated during the travel process.

**Exhibit 10
Summary of Travel Voucher Documentation**

Event	Travel Forms Required	Transaction Vouchers Required
Travel is approved.	Travel Authorization Request (TAR)	Payment voucher issued to pay registration fees. Payment voucher issued to pay airfare.
Travel advance is authorized.	Request for Travel Advance (RTA)	Payment voucher issued to pay travel advance.
Employee returns from trip.	Travel Expense Report & Travel-related Log (TER&L)	Journal voucher prepared to reverse travel advance and record actual expenses.
City owes employee for excess expenses.	Properly completed TAR, RTA, TER&L	Payment voucher issued to reimburse employee for excess expenses.
Employee owes City for excess travel advance.	Properly completed TAR, RTA, TER&L	Cash receipts voucher issued to record employee’s reimbursement to the City.

Source: EMS Review Team observations and interviews with City personnel

Payment vouchers for airfare and registration fees would be easier to locate if references to these documents were made directly on the expense report. The expense report already includes a line for registration fees paid directly by the employee; however, the City usually pays registration fees and airfare in advance. The report could be modified to include a reference section for airfare and registration fees paid in advance. This information would not affect the amount of reimbursement but would be used to pull together, in one place, all related travel expenses.

Recommendation 1

Confer with the Finance and Administration Department to consider including a section on the travel expense report that documents prepaid airfare and registration fee information.

The travel expense report would have to be slightly redesigned in order to implement this recommendation. A section should be added that references the amount, date paid, and payment voucher number of prepaid airfare and registration fees.

FINDING

The EMS review team noted that 34 out of 70 expense reports listed client entertainment expenses for reimbursement. Client entertainment expenses are not addressed in the City's travel policy; however, during fiscal 1996, the CEFD obtained approval to reimburse these types of expenses. The travel policy requires that the Mayor or the Mayor's designee approve in writing any deviations from its provisions. In August 1996, the Mayor's designee authorized the following positions in the CEFD to receive reimbursement for client entertainment expenses:

- Director
- Assistant Director
- Deputy Assistant Director
- Manager-Sales & Marketing GRBCC
- Manager-GRBCC

The travel policy limits individual meal charges to per diem maximums, but no such limit applies to client entertainment expenses. It would be unreasonable to limit such expenses to a specific dollar amount because the benefit of one convention brought to the City far exceeds the cost of client entertainment. However, it would not be unreasonable to track and monitor such expenses so that the success of marketing efforts can be measured. Although the dollar amounts are relatively minor in comparison to convention revenue, client entertainment and other travel cost information could be useful as a performance measure if tracked over time. CEFD could use this information to measure whether or not its investment in travel and client entertainment is having the desired effect of drawing conventions to the City.

Recommendation 2

Confer with the City Controller's Office to consider establishing an object code to track client entertainment expenses.

Client entertainment expenses are necessary to attract potential clients to the GRBCC, but they should be monitored because they are not subject to maximum per diems. The CEFD, in coordination with the City Controller, should establish a client entertainment object code to be used exclusively by the CEFD. This would allow the CEFD to track and monitor client entertainment expenses and to compare dollars invested to revenues generated. In addition, the CEFD should confer with the Finance and Administration Department to consider developing policies and procedures governing client entertainment expenses.

FINDING

Classification of travel expenses is inconsistent within and among City departments. Consolidated reports and comparisons of travel expenses are meaningless if all City departments do not code expenses properly and consistently. Out of 70 vouchers tested, 35 vouchers were noted for improper or inconsistent classification. **Exhibit 11** lists object code names and descriptions according to the City’s chart of accounts. All vouchers tested were selected from these object codes.

**Exhibit 11
Object Code Descriptions**

Object Code	Description
30900 Education & Training	Includes instructional service expenses and reimbursable expenses under approved education and training programs, as well as fees paid for training or education at local or out-of-town conferences and seminars.
30905 Memberships	Includes membership costs and other fees related to professional organizations such as engineering fees, licensing fees, CPA licenses, and AICPA dues.
30910 Travel-Training	Includes all expenses for out-of-town trips by City employees for schools and training seminars, including transportation, meals, lodging, and tips.
30950 Travel-Non-Training	Includes all expenses for out-of-town trips by employees for conferences, business meetings, and recruiting, including transportation, meals, lodging, and tips. Also includes expenses related to local and suburban transportation and passenger service.

Source: City of Houston Chart of Accounts Manual

Vague object code descriptions contribute to the classification problem. For example, according to the chart of accounts, expenses for training seminars should be charged to 30910 Travel-Training, whereas expenses for conferences should be charged to 30950 Travel Non-Training. If the difference between training seminars and conferences is not clearly defined, confusion and inconsistent classification will result. **Exhibit 12** presents examples of classification errors and inconsistencies noted during the review.

Exhibit 12
Examples of Classification Inconsistencies and Errors

Voucher Id	Type of Expense	30900*	30905*	30910*	30950*	Explanation
PV974200295	Registration fees		●			Registration fees should not be coded to Memberships.
JV974200134	Registration fees		●			Registration fees should not be coded to Memberships.
JV974200260	Registration fees Airfare and other travel expenses			●	●	Registration fees for this conference were coded to Travel-Training, but travel expenses for the same conference were coded to Travel-Non-Training. This is inconsistent.
JV974200070	Travel advance Other travel expenses			●	●	The travel advance was coded to Travel-Training but associated travel expenses were coded to Travel-Non-Training. This is inconsistent.
PV974201013	Travel expenses		●			Travel expenses should not be coded to Memberships.
PV974200379	Travel expenses		●			Travel expenses should not be coded to Memberships.
PV974200184	Travel expenses		●			Travel expenses should not be coded to Memberships.
JV974200176	Airfare Other travel expenses			●	●	Airfare was coded to Travel-Non-Training while other expenses were coded to Travel-Training. This is inconsistent with the trip below.
JV974200386	Airfare Other travel expenses			● ●		Both airfare and other expenses were coded to Travel-Training. This is inconsistent with the trip above.
PV974200403	Membership dues	●				Membership dues should be charged to Memberships, not Education & Training.
PV984200177	Travel advance		●			Travel advances should not be charged to Memberships.

Source: EMS Review Team

*Object Codes

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

Clearly, travel expenses should not be coded to Memberships. Also, the classification of registration fees is inconsistent. Other City departments, such as Legal and Planning and Development, generally charge registration fees to 30900 Education & Training. The existing object code descriptions do not ensure consistent classification of travel and travel-related expenses within and among the City’s departments.

Recommendation 3

Confer with the City Controller’s Office to consider establishing new object code descriptions for travel and travel-related expenses, and periodically review travel-related object codes for misclassified expenses.

A simpler, more logical option is to classify amounts as either local or out-of-town travel expenses. The object code descriptions in **Exhibit 13** are suggested.

**Exhibit 13
Suggested Object Code Descriptions**

Title	Description
Education and Registration Expenses	Includes registration fees, tuition, and instructional material expenses under approved education and training programs, as well as fees paid for training or education at local or out-of-town conferences and seminars.
Memberships	Includes membership costs and other fees related to professional organizations, such as engineering fees, licensing fees, CPA licenses, and AICPA dues.
Local Travel Expenses	Includes all expenses such as transportation, meals, and tips, but excludes registration fees, tuition, and instructional materials for approved local conferences, training seminars, conventions, and City business meetings.
Out-of-Town Travel Expenses	Includes all expenses such as transportation, meals, lodging, tips, transportation, and passenger service, but excludes registration fees, tuition, and instructional materials for approved out-of-town trips for conferences, training seminars, conventions, and City business meetings.

Source: EMS Review Team

FINDING

The EMS review team noted that 10 out of 70 travel authorization forms had not been approved as prescribed by the travel policy. The policy requires that designated authorities approve the TAR, RTA, and TER&L before travel is approved or reimbursed. For example, the policy requires the Mayor’s Chief of Staff or designee to approve travel forms for all department directors reporting to that Chief of Staff or designee.

In 8 of the 10 exceptions noted, a subordinate (the deputy director) had approved the CEFD director’s RTA and expense report instead of the Mayor’s Chief of Staff or designee. In a separate case, the TAR was approved *after* the trip, and in another case the expense report had not been approved at all. **Exhibit 14** presents a summary of travel forms that were not approved in accordance with the travel policy.

Exhibit 14
Vouchers Not Approved by Authorized Persons

Voucher ID	RTA & TER&L approved by deputy director.	TER&L not approved	TAR approved after trip.
PV974201013	●		
JV974200176	●		
JV984200054	●		
JV974200386		●	
PV984200176	●		
JV974200498	●		
JV974200134	●		
PV984200231			●
PV974200295	●		
JV984200192	●		

Source: EMS Review Team

Proper and timely authorization of travel forms is one of the best deterrents to abuse of the City’s travel policy. If authorization controls are weak or ineffective, there is little assurance that the City is incurring legitimate and appropriate travel expenses.

Recommendation 4

Enforce travel policy authorization provisions.

The travel policy states, “*The **approved** original of the Travel Authorization Request and related receipts must accompany the Travel Expense Report and Travel-related Log when it is submitted for reimbursement.*” City funds should not be paid until all the proper approvals have been obtained. Individuals responsible for reviewing travel documents must verify that proper authorizing signatures are present before funds are released.

FINDING

The CEFD uses an expense report form that is not prescribed by the travel policy. A form entitled “Civic Center Department Monthly Expense Report” is used to document and approve reimbursement of client entertainment, private auto, and other expenses. The travel policy requires that travel expenses be documented and approved on the TER&L. The CEFD uses TER&Ls in most cases. However, the travel policy requires that the Mayor or his designee approve in writing any deviations from its provisions. The Civic Center Department Monthly Expense Report has not been approved for use by the Mayor or his designee.

Recommendation 5

Obtain approval to use the Civic Center Department Monthly Expense Report since it represents a deviation from the City’s travel policy.

City departments should have flexibility to design travel forms that meet unique needs. However, any deviation from the established travel policy should be preapproved or the travel policy should be changed to allow for flexibility without prior approval.

FINDING

The EMS review team noted that 5 out of 70 expense reports were completed more than 10 days after the trip. The travel policy requires employees to complete an expense report no later than 10 days after the trip. The purpose of the 10-day rule is to ensure that travel expenses are recorded and excess travel advances are returned to the City on a timely basis. **Exhibit 15** presents those vouchers that were not in compliance with the 10-day rule.

**Exhibit 15
Vouchers Not in Compliance with the 10 day Rule**

Voucher ID	Date Trip Completed	Date TER&L Completed	Days Overdue
JV984200199	10/27/97	11/18/97	12
PV974200307	12/12/96	12/31/96	9
JV974200422	4/14/97	5/1/97	7
JV984200062	7/28/97	8/11/97	4
PV984200196	*1/10/98	*1/23/98	3

Source: EMS Review Team

**These dates are outside of the review period. However, voucher was included in test sample because travel advance was received in December 1997.*

The Request for Travel Advance contains a statement requiring employees to comply with the 10-day rule. The statement on the RTA is worded differently than the one in the travel policy. The wording on the RTA reads: “I agree to submit all required expense statements **within ten (10) working days of my return...**” However, the wording in the travel policy reads: “Employees are required to complete a Travel Expense Report and Travel-related Log, **no later than 10 days after completion of the trip.**” The statement on the RTA actually gives employees more time to submit their expense reports.

Recommendation 6

Confer with the Finance and Administration Department to consider revising the 10-day rule on the Request for Travel Advance to read: “I agree to submit all required expense statements no later than 10 days after completion of my trip.” As an alternative, management may consider revising the policy to read: “no later than 10 *working days* after completion of the trip.”

Although the discrepancy between the RTA and the travel policy may not account for every violation of the 10-day rule, it could be a contributing factor, especially if employees are confused by the discrepancy. To avoid confusion, the language in both documents should be made consistent.

FINDING

For 30 out of 70 vouchers, the employee or supervisor did not date the TAR. The policy does not specifically require that employees and supervisors date the TAR. However, the requirement is implied because the form has a place for a signature and a date. 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 supervisor date the TAR.

Recommendation 7

Promote date stamping of travel documents at critical processing points, and encourage employees and supervisors to date all travel documents.

FINDING

The review team noted other minor instances of noncompliance such as minor math errors, missing receipts, and incomplete travel documentation. These minor instances of noncompliance result from oversight on the part of the individual(s) reviewing and/or processing vouchers for payment. Unapproved and undated travel documents, math errors, and missing or incorrect receipts will be avoided by a thorough review of travel expense supporting documentation. Checklists are excellent documentation review tools. They assist the reviewer by eliminating oversight of major and minor instances of noncompliance.

Recommendation 8

Develop a checklist to use when reviewing travel documents and related supporting documentation.

If designed properly, checklists help reviewers of travel documentation eliminate oversight of major and minor instances of noncompliance. The Appendix, in section five of this report, contains compliance questions the review team developed from the travel policy. The review team used these questions to test compliance of the vouchers selected in our sample. The Department could use these questions as a starting point for developing their own checklist.

FINDING


In three instances, employees charged airport parking on their expense reports possibly unaware of a benefit that allows City employees to park free at either Bush International or Hobby Airport while traveling on City business. Although the benefit is free to employees, the Aviation Department charges CEFD for the permit. These exceptions are summarized below:

Transaction Number	Amount
JV974200238	\$27.00
PV974200164	108.00
JV984200199	9.00
Total	<u>\$144.00</u>

To take advantage of the parking benefit, employees must obtain a City Official Business Parking Permit, shown in **Exhibit 16**. This permit must be requested from the City Controller’s office by the Department Director and must be signed by the user upon completion of the trip.

**Exhibit 16
City Official Business Parking Permit**

CITY OFFICIAL BUSINESS
PARKING PERMIT


 HOUSTON AIRPORT SYSTEM

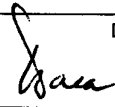
THIS PERMIT AUTHORIZES _____
NAME

OF THE _____ DEPARTMENT TO PARK AT BUSH
 INTERCONTINENTAL AIRPORT / HOBBY AIRPORT WHILE ON CITY BUSINESS

FROM _____ TO _____

REQUESTED BY: _____
DIRECTOR

Nº 00006

APPROVED BY: 
DIRECTOR OF AVIATION

I CERTIFY THAT MY PARKING IN THE AMOUNT OF \$ _____ WAS
 IN THE CONDUCT OF CITY BUSINESS.

SIGNED: _____
PERMIT USER

WHITE - AVIATION YELLOW - DEPARTMENT PINK - PARKING DIVISION

Recommendation 9

Confer with the Finance and Administration Department to consider including a discussion of the parking permit in the travel policy.

Section 7.3 of the travel policy, which discusses parking, should be revised to include a discussion of this permit and whether its use will be mandatory or optional.

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	Do TER&L totals agree with RTA sections A & B?
6	Does RTA section B agree with RTA section C?
7	If travel was outside the contiguous 48 states, did the Mayor or his designee approve it?
8	Does TAR include a clear explanation of the business purpose?
9	Was the RTA submitted to the City Controller at least five working days prior to anticipated departure?
10	Are lodging receipts for single room occupancy?
11	Are lodging rates "government rates"?
12	If traveling with spouse and/or family members, has employee borne their expenses?
13	If traveling with spouse and/or family members, has employee borne the incremental cost of lodging?
14	Are average actual meal charges for the period of travel equal to or below allowed per diem rates?
15	Did employee exclude per diem charges and charge only actual for day of departure and day of return?
16	Did employee exclude per diem charges and charge only actual for one-day business trips?
17	Were meals charged only after the employee began business and before employee ended business travel?
18	Is cost of meal reasonable based on the time of the day traveled?
19	If the employee has charged the cost of a conference/convention-related meal, has a receipt showing the cost of the meal been attached?
20	If the employee has charged the cost of a related meal, has a conference/convention brochure showing the cost of the meal been attached?
21	During the day of the conference/convention, were other meals charged at actual and not per diem?
22	Was the cost of other meals taken during that day less than \$40.00?
23	Was the cost of other meals taken during that day reasonable based on travel location?
24	Has the cost of these "exception" days been excluded from the computation of the average per diem?
25	Has a receipt or 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?
26	Are parking fees in excess of \$10.00 per parking event supported by a receipt?
27	If parking meter charges were submitted, has employee logged the time, general location, and amount deposited in the meter?
28	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

Question	Description
29	Do receipts and other documentation (e.g., brochures) support registration fees for local and out-of-town conventions, conferences, and workshops?
30	Is the amount and purpose of tips (e.g., baggage handling) reported on the log?
31	Have tips to hotel/motel custodial personnel been excluded from reimbursable expenses?
32	If employee flew first class, did the Mayor, Chief of Staff, Mayor's designee, or Department Director approve it?
33	Did any of the exceptions in the travel policy apply?
34	If the Department purchased airline tickets through a travel agency, did the employee submit a copy of the unused ticket to Accounts Payable?
35	If the employee purchased airline tickets, was reimbursement made after the travel was completed?
36	Was the canceled ticket stub or a certified copy of the canceled ticket prepared by the airline attached to the TER&L report?
37	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?
38	If car rental was approved on the TAR, was the purpose justified?
39	If a City-owned vehicle was used for in-state travel, was it approved by the Department Director?
40	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?
41	If a City-owned vehicle was used for travel outside Texas, was it approved by the Mayor or the Mayor's designee?
42	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)?
43	Was mileage reimbursed at the approved rate?
44	Did the employee maintain mileage in the mileage log in the TER&L report and was it reasonable based on mileage chart?
45	Is the cost of ground transportation, taxicab, limousine, bus, subway, toll road fares, etc. recorded on the log listing dates, origination, and destination points?
46	Does a receipt support ground transportation costing \$20 or more?
47	Have alcoholic beverages been excluded from the TER&L?
48	Have employee time & expense been excluded from the TER&L?
49	Have excess baggage charges for personal belongings been excluded from the TER&L?
50	Have personal entertainment expenses been excluded from the TER&L?
51	Does an original TAR support expenditure?
52	Did the proper authority approve the TAR?
53	Did the authority date the TAR?
54	Did the employee sign the TAR?
55	Did the employee date the TAR?
56	If employee requested a travel advance was it supported by an original TAR & RTA?
57	Did the proper authority approve the RTA?
58	Did the employee sign the RTA?

Compliance Questions Developed from Travel Policy

Question	Description
59	Is expenditure supported by a TER&L?
60	Was the TER&L approved by the proper authority?
61	Was the TER&L dated by the authority?
62	Was the TER&L signed by the employee?
63	Was the TER&L dated by the employee?
64	Has the TER&L been completed within 10 days after completion of the trip?
65	Is TER&L report supported by related receipts?
66	Were deposits for reimbursements to the City deposited in the bank?
67	Did City employee and not consultants or other individuals under contract to perform services for the City complete the TAR?
68	Have the various travel & entertainment expenses been charged to the proper accounts in the proper period?

EXHIBIT 1

City of Houston
Convention & Entertainment Facilities Department
Internal Correspondence

TO: Sylvia Garcia, City Controller
City Of Houston

From: Gerard J. Tollett, Director

Date: October 26, 1998

**Subject: Audit Report - Travel and
Travel Related Expenses**

Please accept the following as the Convention and Entertainment Facilities Department's response to the Citywide Compliance Review of Travel and Travel Related Expenses for the period July 1, 1996 through December 31, 1997.

Our response is as follows:

1. **FINDING:** Lack of efficient method of cross-referencing and identifying transaction vouchers related to specific trips.

Department Response: We concur with the recommendation that revisions be made to the expense report to include data blocks for recording of all travel related expenses (prepaid airfare and registration fees) associated with each approved trip. We will work with the Finance and Administration Department to revise the report as recommended.

2. **FINDING:** Client entertainment expenses are not addressed in City's travel policy and there is no entertainment maximum limits on amount allowed similar to approved travel policy for individual per diem maximum.

The expense amount for individual meals and client entertainment is charged to the same FMS object code.

Department Response: The department has instituted a \$75 per day maximum average for client entertainment expenses for employees approved by the City's Chief Administrative Officer (with copy to the City Controller) to incur such expenses.

We will work with the City Controller's Office to establish a separate client entertainment object code to record those expenses. The Director and Deputy Director presently informally monitor the success of our marketing efforts associated with client entertainment expenses and will take steps to formalize that monitoring process.

3. **FINDING:** Classification of travel expenses were inconsistent with account code description.

Department Response: The department's accounting staff will verify proper account coding of travel expenses prior to final approval and recording into the City's financial system. Staff members will also work with the Controller's Office to establish new object code descriptions for travel related expenses and perform periodic reviews of recorded entries in financial reports to detect expense code misclassifications.

*Views of Responsible
Officials*

EXHIBIT 1

4. **FINDING:** Travel authorization forms not approved as prescribed by travel policy.

Department Response: We have reviewed the detailed travel documents related to the audit findings. Of the 10 travel related documents, the director's travel did receive approval by the designated authority level (Mayor's Chief of Staff or designee) in accordance with policy guidelines for the Travel Authorization Request. Travel Advance and Travel Expense Reimbursement/Liquidations were approved as directed by the Mayor's Office at the time.

The audit exception which deals with a Travel Authorization Request completed after the trip appears to be a case in which the Deputy Director mistakenly misdated the authorization form.

The final audit exception dealt with lack of authorization for Travel Expense Reimbursement and Liquidation. This was an instance in which the travel was supported by an approved Request for Travel Authorization. The actual expenses were less than prior approved travel estimates in the Request For Travel Authorization and therefore further approval of the expenses and liquidation appeared unnecessary.

5. **FINDING:** A form entitled Civic Center Department Monthly Expense Report is not prescribed by travel policy.

Department Response: We will submit a formal request for approval to utilize the "Monthly Expense Report" form for employee reimbursement of client entertainment, private auto and other expenses.

6. **FINDING:** Five of the seventy tested employee travel expense reports were not completed within policy guidelines of 10 days after completion of the approved trip.

There is difference of the statement wording on the Request For Travel Authorization and City travel policy as it relates to the 10 day rule.

Department Response: To prevent recurrence, the department has instituted a policy that requires that employees submit their travel liquidations to the director within five days of their return. In the event that an employee violates either this five or the ten day rule, they will be subject to disciplinary action which might include a suspension of the employee's travel privileges for up to twelve months or a temporary or indefinite suspension. In addition, we will work with the appropriate division of Finance and Administration Department to cause revision of the language of the 10-day rule as stated on the Request For Travel Authorization and language in the travel policy so that there is consistency.

7. **FINDING:** There is inconsistency of dating the signatures for approval of Request For Travel Authorization by employee and supervisor. Thirty-seven out of 70 travel authorizations and travel related vouchers were not dated by the employee or supervisor.

Department Response: We will require that all Travel Authorization Requests by the employee and supervisor be dated at all critical processing points to establish date trails for an employee's travel request through to final liquidation.

8. **FINDING:** Minor math errors, missing receipts and incomplete documentation as supporting documents related to the approved trip were noted.

Department Response: We currently verify each of the checklist items in the audit recommendation. We will renew our efforts to perform a thorough and comprehensive review of travel documentation to detect and eliminate errors or lack of complete documentation or receipts for every travel expense report.

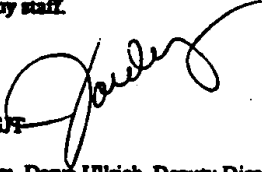
*Views of Responsible
Officials*

EXHIBIT 1

9. **FINDING:** Charges for airport parking of three employee trips were reported and reimbursed instead of the employee utilizing the City Official Business Parking Permit to defray the expense reporting by the employee.

Department Response: The department does utilize the Official City Business Parking Permit through which we reimburse the Aviation Department for the parking charges incurred. As an enterprise fund, this Department encourages its staff to reduce costs and some of our employees have found it more economical in non-City lots (at Hobby Airport for instance). Since either way the Department pays for parking expenses, we have not required the use of the form to allow for the selection of a cost-cutting alternative where available.

If any additional information is required, please contact my office or Susan Jackson and Bill Wickliffe of my staff.


GJT

xc: Dawn Ullrich, Deputy Director
Susan Jackson, Deputy Assistant Director
Bill Wickliffe, Manager
File

*Views of Responsible
Officials*