

OFFICE OF THE CITY CONTROLLER



**HEALTH AND HUMAN SERVICES DEPARTMENT
TRAVEL AND TRAVEL-RELATED EXPENSES
COMPLIANCE REVIEW
FOR THE PERIOD OF JULY 1, 1997
THROUGH SEPTEMBER 30, 1998**

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

December 21, 1999

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

SUBJECT: Health and Human Services Department
Travel and Travel-Related Expenses – Compliance Review
(Report No. 99-11)

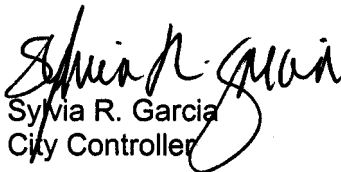
Dear Mayor Brown:

In accordance with the City's contract with McConnell, Jones, Lanier, and Murphy LLP (MJLM), MJLM has completed a review of travel and travel-related expenses incurred by the Health and Human Services Department (the Department) for the period of July 1, 1997 through September 30, 1998.

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 E. Haines, Chief Administrative Officer
Sara Culbreth, Acting Director, Finance and Administration Department
Mary desVignes-Kendrick, MD, Director, Health and Human Services Department



McCONNELL JONES LANIER & MURPHY, LLP
CONSULTANTS & BUSINESS ADVISORS

November 10, 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 McConnell, Jones, Lanier, and Murphy's (MJLM) compliance review of the travel and travel-related expenses of the City of Houston's Department of Health and Human Services (the Department) for the period July 1, 1997 through September 30, 1998. Our review was conducted in accordance with the Engagement Letter between the City of Houston and MJLM dated December 3, 1998.

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) Department of Health and Human Services (the Department) for the period July 1, 1997 through September 30, 1998. 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:

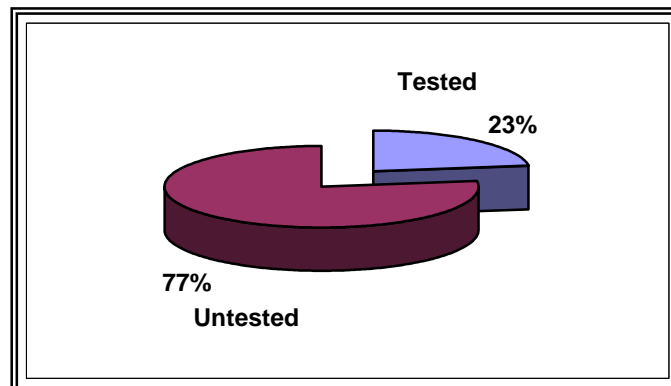
- 1.0 Executive Summary
- 2.0 Background
- 3.0 Current Situation
- 4.0 Findings and Recommendations
- 5.0 Appendices

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

Review Methodology

MJLM obtained a list of all of the travel vouchers issued during the review period. From a population of 701 vouchers, 160 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 30910 Travel-Training and 30950 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 30900 Education and Training and 30905 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, where travel expenses appeared to be misclassified to object codes 30900 and 30905, were noted.

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 areas: Boston, Massachusetts ... Washington, D.C.”.

From this requirement, MJLM developed the question: “Are average 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 5.1 for a complete list of these questions

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. In addition, Appendix 5.2 summarizes exceptions by voucher and shows that 41 of 160 vouchers, or 26 percent, were free of exceptions.

Summary of Findings and Recommendations

FINDING

In 19 of the 31 instances in which a City vehicle was used for in-state travel, the vehicle’s use was not authorized in advance. The City’s travel policy states in section 7.7.3 that, when this mode of travel is the most cost-effective, City-owned vehicles may be used for in-state travel with the prior approval of the department director.

RECOMMENDATION

Enforce travel policy provisions requiring the department director’s approval to use a City vehicle for in-state travel.

FINDING

Expense reports were completed more than 10 days after the trip in 54 of the 158 instances in which this fact could be determined. MJLM could not make this determination in two cases because the employee did not date the Travel Expense Report and Travel-related Log (TER&L). 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.

RECOMMENDATION

Enforce the City's travel policy that requires the completion of a TER&L no later than 10 days after completion of a trip.

FINDING

MJLM examined the City Controller's log of travel advances outstanding noting that eight Department of Health and Human Service's advances made during the review period were still outstanding on February 24, 1999.

RECOMMENDATION

Require employees to liquidate travel advances timely.

FINDING

In 16 of the 87 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.

RECOMMENDATION

Require employees to attach the canceled ticket stub or a copy of the canceled ticket prepared by the airline to all TER&L reports.

FINDING

For 7 of the 138 travel vouchers on which meals were charged, the maximum daily meal allowance was exceeded on the day of departure, during full days of travel, or on the day of return. According to the travel policy, employees are reimbursed for actual expenses at a maximum average daily rate of \$40.00 or \$50.00, depending on the travel location.

RECOMMENDATION

Reiterate travel-policy meal allowance provisions to ensure that employees understand and apply them uniformly.

FINDING

For 26 of the 160 vouchers, the authority, the employee, or both did not date the Travel Authorization Request (TAR). In four instances, the employee or authority did not date the TER&L. The policy does not specifically require employees or authorities to date travel forms; however, the requirement is implied since the forms have a place for a signature and a date.

RECOMMENDATION

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

FINDING

Travel expenses were misclassified on 10 of the 160 travel vouchers. 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.

RECOMMENDATION

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

FINDING

For 13 of the 160 vouchers, proper approvals were not obtained for trips and travel advances. The travel policy requires that all employees “*obtain approval to travel on the Travel Authorization Request Form.... No reimbursement for travel-related expenses will be made without an approved request.*” The purpose of this requirement is to ensure that all travel is approved before travel expenses are incurred.

RECOMMENDATION

Deny reimbursement of travel expenses for trips for which proper approval was not obtained prior to the trip being taken.

FINDING

Section 8.2 of the travel policy states that charges for employee time and expense are ineligible travel expenses and will not be reimbursed. In one instance, an employee charged the City for two days of automobile rental prior to the actual start date of a business trip.

RECOMMENDATION

Enforce travel policy provisions prohibiting employees from charging ineligible travel expenses to the City.

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, recently 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 non-salaried 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, 1997 to September 30, 1998. **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, 1997 through September 30, 1998

*Object Code	Total
30910 Travel-Training	\$3,005,925
30950 Travel Non-Training	\$1,557,139
Total Travel Expenses	\$4,563,064

Source: City of Houston Controller's Office

**At the beginning of fiscal 1999, object codes for Travel-Training and Travel-Non-Training changed to 3910 and 3950, respectively.*

The Department's mission is to promote and protect the general health and well-being of Houston's citizens through programs and activities administered in accordance with applicable state and local laws. The Department is composed of seven service units: Director's Office, Support Services, Community Support, Administrative Support, Communicable Diseases, Environmental Health, and Community and Personal Health.

The Department incurred \$799,961 in travel and travel-related expenses during the review period. This amount represents 18 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.

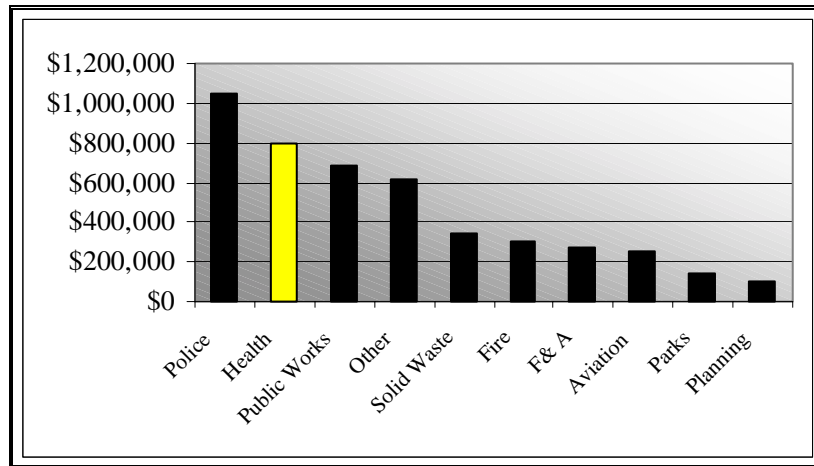
Exhibit 3
Department of Health and Human Services
Travel and Travel-related Expenses
July 1, 1997 through September 30, 1998

*Object Code	Total
30910 Travel-Training	\$470,319
30950 Travel Non-Training	\$329,642
Total Travel Expenses	\$799,961

Source: City of Houston Controller's Office

*At the beginning of fiscal 1999, object codes for Travel-Training and Travel-Non-Training changed to 3910 and 3950, respectively.

Exhibit 4
The City of Houston
Travel and Travel-related Expenses by Department
July 1, 1997 through September 30, 1998

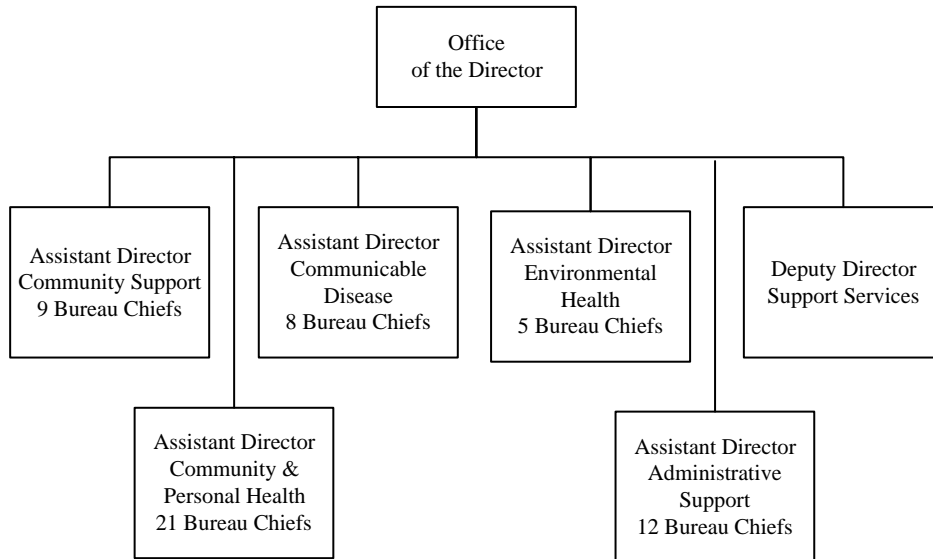


Source: City of Houston Controller's Office

3.0 CURRENT SITUATION

The Director of Health and Human Services is responsible for the overall management of the Department of Health and Human Services and its staff of 1,067 employees. **Exhibit 5** presents the Department's organization chart.

**Exhibit 5
Department of Health and Human Services Organization Chart**



Source: Department of Health and Human Services

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

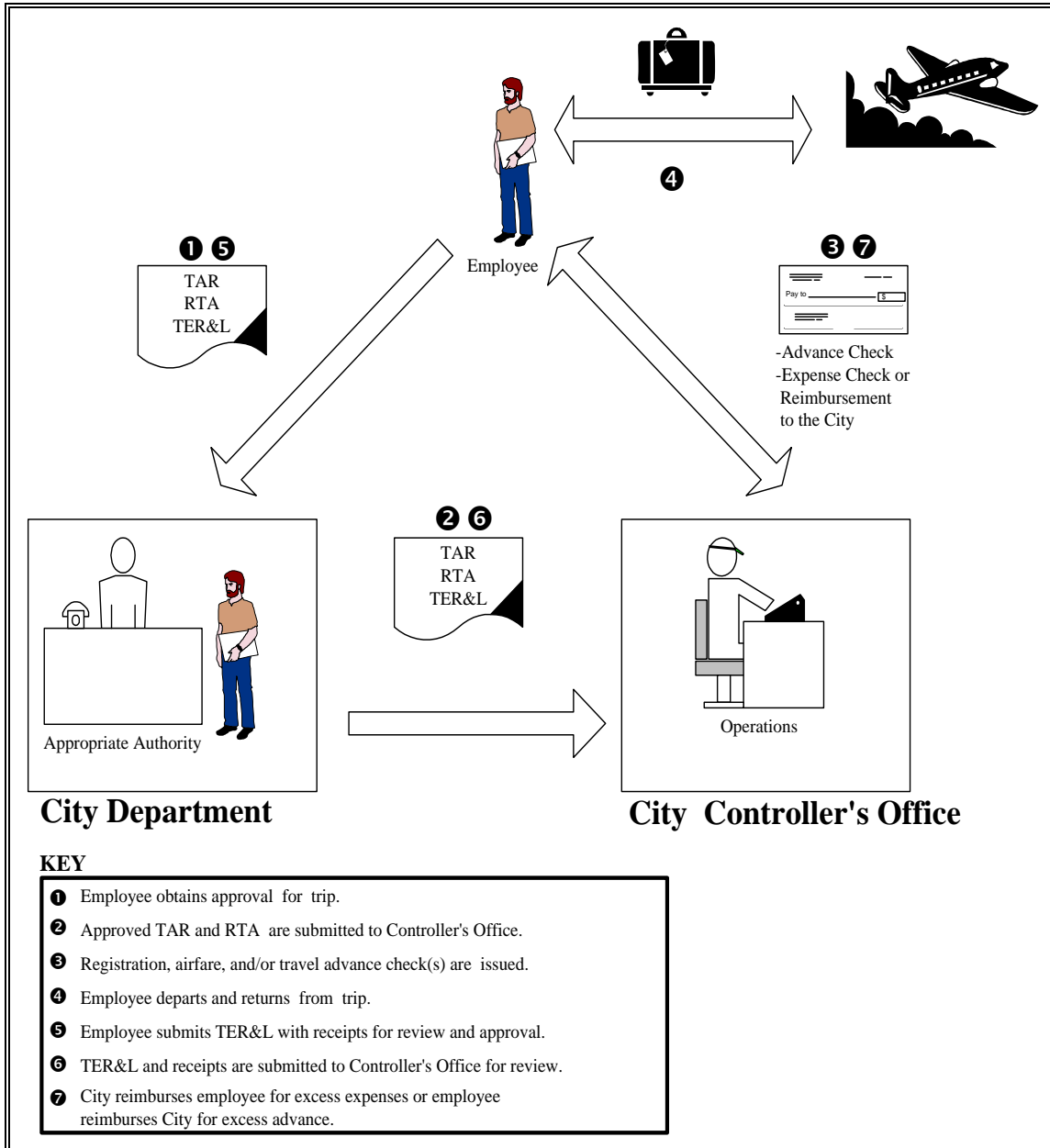
1. Travel Authorization to Attend Conventions, Conferences, or Training-related Workshops and Business-related Meetings (TAR),
2. Request for Travel Advance (RTA), and
3. Travel Expense Report and Travel-related Log (expense report or TER&L).

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 6** depicts the general flow of the travel authorization and reimbursement process.

Exhibit 6
Travel Authorization and Reimbursement Process



4.0 FINDINGS AND RECOMMENDATIONS

FINDING

In 19 of the 31 instances in which a City vehicle was used for in-state travel, the vehicle's use was not authorized in advance. The City's travel policy states in section 7.7.3 that, when this mode of travel is the most cost-effective, City-owned vehicles may be used for in-state travel with the prior approval of the department director.

Recommendation 1

Enforce travel policy provisions requiring the department director's approval to use a City vehicle for in-state travel.

City vehicles should not be used unless the proper approvals have been obtained. Individuals responsible for reviewing travel documents must verify that proper authorization signatures are present before travel expenses, which are incurred while using a City vehicle, are reimbursed.

FINDING

Expense reports were completed more than 10 days after the trip in 54 of the 158 instances in which this fact could be determined. MJLM could not make this determination in two cases because the employee did not date the TER&L. 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. In the instances noted, expense reports were completed between 1 and 277 days after the 10 days expired. The purpose of the 10-day rule is to ensure that travel expenses are recorded and that excess travel advances are promptly returned to the City.

Exhibit 7 presents those vouchers that were not in compliance with the 10-day rule.

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

Reference	Date Trip Completed	Date TER&L Completed	Days Overdue
PV38983804545	4-18-97	1-30-98	277
PV38993800295	6-3-98	8-31-98	79
PV38983802025	6-26-97	9-11-97	67
PV38983803367	9-5-97	11-10-97	56
PV38983803574	9-19-97	11-10-97	42
JV38993800017	5-19-98	7-9-98	41
PV38983807716	5-12-98	6-29-98	38
PV38993800072	5-14-98	6-29-98	36
JV38983800090	7-24-97	8-29-97	26
PV38983807709	5-15-98	6-19-98	25
JV983800151	10-7-97	11-10-97	24
PV38983801170	6-18-97	7-18-97	20

Exhibit 7 (Continued)
Vouchers Not in Compliance with the 10-day Rule

Reference	Date Trip Completed	Date TER&L Completed	Days Overdue
PV38983806135	3-11-98	4-10-98	20
PV38983806533	3-31-98	4-30-98	20
JV38983800397	5-13-98	6-12-98	20
PV38983802617	8-8-97	9-2-97	15
JV983800377	5-19-98	6-11-98	13
JV983800393	5-13-98	6-5-98	13
JV983800400	5-13-98	6-5-98	13
PV38983803590	11-12-97	12-4-97	12
PV38983801256	7-3-97	7-23-97	10
PV38983802029	7-31-97	8-20-97	10
PV38983803937	11-13-97	12-3-97	10
JV38993800022	6-12-98	7-1-98	9
PV38983801180	6-7-97	6-25-97	8
PV38983804416	1-9-98	1-27-98	8
PV38983805280	2-14-98	3-4-98	8
JV38983800191	11-13-97	12-1-97	8
PV38983807498	5-29-98	6-16-98	8
PV38983802260	8-26-97	9-12-97	7
PV38983803587	11-13-97	11-30-97	7
PV38983803605	11-21-97	12-8-97	7
PV38983802600	9-17-97	10-3-97	6
PV38983805751	11-19-97	12-5-97	6
PV38993800092	6-30-98	7-16-98	6
PV38983803598	11-19-97	12-4-97	5
JV38983800045	7-3-98	7-18-98	5
PV38983806876	4-29-98	5-14-98	5
JV38983800009	6-11-97	6-25-97	4
JV983800029	5-28-97	6-11-97	4
JV983800379	5-19-98	6-2-98	4
PV38983805142	2-10-98	2-24-98	4
PV38983807237	5-15-98	5-29-98	4
PV38983807241	5-15-98	5-29-98	4
JV983800280	11-12-97	11-25-97	3
PV38983803607	11-26-97	12-9-97	3
PV38983806286	4-3-98	4-16-98	3
PV38993800151	7-21-98	8-3-98	3
PV38983801260	7-11-97	7-23-97	2

Exhibit 7 (Continued)
Vouchers Not in Compliance with the 10-day Rule

Reference	Date Trip Completed	Date TER&L Completed	Days Overdue
PV38983801168	7-18-97	7-29-97	1
PV38983801246	7-3-97	7-14-97	1
PV38983801775	7-24-97	8-4-97	1
PV38983803084	10-17-97	10-28-97	1
PV38983803111	10-17-97	10-28-97	1

Recommendation 2

Enforce the City's travel policy that requires completion of a TER&L no later than 10 days after completion of a trip.

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

FINDING

MJLM examined the City Controller's log of travel advances outstanding noting that eight Department of Health and Human Service's advances, issued during the review period, were still outstanding on February 24, 1999. **Exhibit 8** presents a summary of these outstanding advances.

Exhibit 8
Health Department Advances
Outstanding as of February 24, 1999

Reference	Advance Amount	Date of Advance	*Projected Liquidation Date	**Days Outstanding
PV983801624	\$185.90	9-5-97	9-25-97	517
PV982805284	\$566.00	3-20-98	4-15-98	315
PV983806282	\$595.68	5-1-98	5-27-98	273
PV983807490	\$100.00	6-29-98	7-23-98	216
PV983800047	\$150.00	7-23-98	8-11-98	197
PV993800105	\$100.00	8-4-98	8-21-98	187
PV993800106	\$657.00	8-4-98	8-25-98	183
PV993800121	\$205.50	8-7-98	9-7-98	170

Source: Controller's Travel Advance Log

*Based on return date

**Computed from projected liquidation date to February 24, 1999

The travel policy states in section 6.3.2:

“An employee may be denied a travel cash advance if he/she....

- *Has not submitted an expense report for previously completed travel.*
- *Consistently submits the travel expense report late (more than 10 days after travel is completed).”*

Recommendation 3

Require employees to liquidate travel advances timely.

The Department should consider denying not just travel advances but also travel authorization to employees until they liquidate outstanding travel advances.

FINDING

In 16 of the 87 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.

Recommendation 4

Require employees to attach a canceled ticket stub or a copy of the canceled ticket prepared by the airline to all TER&L reports.

Departmental personnel responsible for reviewing employees’ expense reports should thoroughly review all supporting documentation to ensure that all the information required by the policy has been included with the travel voucher. If the required documentation has not been included, the Department should obtain the information before the travel voucher is submitted to the Controller’s Office for processing.

FINDING

For 7 of the 138 travel vouchers on which meals were charged, the maximum daily meal allowance was exceeded on the day of departure, during full days of travel, or on the day of return. According to the travel policy, employees are reimbursed for actual expenses at a maximum average daily rate of \$40.00 or \$50.00, depending on the travel location. On the day of travel and return, the policy requires employees to charge *actual* meal expenses not to exceed the daily maximum of \$40.00 or \$50.00, depending on the location. Except for the day of departure and day of return, daily meals may be averaged over the total number of full travel days, thus allowing an employee to underspend on some days and overspend on others.

Exhibit 9 presents travel vouchers for which meal allowances were exceeded during days of travel. **Exhibit 10** presents travel vouchers for which meal allowances were exceeded on days of departure or return.

**Exhibit 9
Excess Meal Charges during Full Day of Travel**

Reference	*Average Meals Charged	Maximum Allowed	Excess Meals Charged During Full Days of Travel
PV38983801611	\$49.88	\$40.00	\$9.88
PV38993800071	\$47.34	\$40.00	\$7.34
PV38983806135	\$42.85	\$40.00	\$2.85
PV38983807240	\$43.00	\$40.00	\$3.00
PV38983803085	\$42.40	\$40.00	\$2.40

** Meal charges include taxes and tips*

**Exhibit 10
Excess Meal Charges on Days of Departure or Return**

Reference	*Actual Meals Charged	Maximum Allowed	Excess Meals Charged on Day of Departure or Return
PV38983806135	\$44.00	\$40.00	\$4.00
PV38983804549	\$42.52	\$40.00	\$2.52
PV38983802260	\$41.62	\$40.00	\$1.62

** Meal charges include taxes and tips*

Recommendation 5

Reiterate travel-policy meal allowance provisions to ensure that employees understand and apply them uniformly.

FINDING

For 26 of the 160 vouchers, the authority, the employee, or both did not date the Travel Authorization Request (TAR). In four instances, the employee or authority did not date the TER&L. The policy does not specifically require employees or authorities to date travel forms. However, this requirement is implied since the forms have a place for a signature and a date. The Department cannot successfully monitor compliance with certain travel policy provisions if travel forms are not consistently 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.

Recommendation 6

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

FINDING

Travel expenses were misclassified on 10 of the 160 travel vouchers. In some cases meetings were classified as training when they did not appear to be training related. In one case, registration fees were charged to 30910 Travel-Training instead of 30900 Education and Training. 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.

Exhibit 11 presents classification errors noted during the review.

**Exhibit 11
Travel Expense Classification Errors**

Reference	Type of Expense	Coded to 30910*	Explanation
PV38983802022	Registration fees for training	●	Registration fees should be coded 30900 Education and Training.
PV38983802617	Attended court case as expert landfill witness	●	This expense should have been coded to 30950 Travel-Non-Training since it is not training related.
PV38983802931	TNRCC assistance meeting	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.
PV38983803594	Food safety meeting	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.
PV38983804549	TNRCC meeting to participate in hearing process	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.
PV38983806522	Mayor’s retreat attended by department head	●	This expense should have been coded to 30950 Travel-Non-Training since it is not training related.
PV38983806533	Connecting to a data acquisition system meeting	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.

**Exhibit 11 (Continued)
Travel Expense Classification Errors**

Reference	Type of Expense	Coded to 30910*	Explanation
PV38983807498	Bi-monthly policy meeting	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.
PV38983807714	Planning meeting for Governor’s Conference	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.
PV38993800073	Agenda meeting	●	Meetings should be coded to 30950 Travel-Non-Training since they are not training related.

*Object Codes
 30900 Education & Training
 30905 Memberships
 30910 Travel-Training
 30950 Travel-Non-Training

Recommendation 7

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

FINDING

For 13 of the 160 vouchers, proper approvals were not obtained for trips and travel advances. In seven instances, the authority signed the travel documents before being designated as an authorized signatory. In six instances, the TAR was approved *during* or *after* the trip. In two instances, the employee signed the TAR *after* the trip. The travel policy requires that all employees “*obtain approval to travel on the Travel Authorization Request Form.... No reimbursement for travel-related expenses will be made without an approved request.*” The purpose of this requirement is to ensure that all travel is approved *before* travel expenses are incurred. **Exhibits 12 and 13** present exceptions found related to improper approval of travel documents.

Exhibit 12
TARs and RTAs Signed by Authority
Prior to Designation as an Authorized Signatory

Reference	Date TAR Approved	Date RTA Approved	Date Signatory Authorized to Approve Documents
PV38983800891	6-9-97		11-12-97
PV38983802397	9-16-97		11-12-97
PV38983803574	9-18-97		11-12-97
PV38983802763	9-16-97	9-16-97	11-12-97
PV38983801168		6-9-97	11-12-97
PV38983801260		6-5-97	11-12-97
PV38983801611		6-4-97	11-12-97

Exhibit 13
TARs Approved during or After the Trip

Reference	Date Trip Completed	Date TAR Approved	Date Employee Signed TAR
PV38983804337	1-12-98	1-14-98	1-6-98
PV38983803111	10-27-97	11-13-97	**11-3-97
PV38983803933	12-17-97	12-26-97	12-10-97
PV38983802599	9-30-97	10-97	9-19-97
PV38983802600	9-17-97	10-3-97	**10-3-97
PV38983804545	4-18-97	*4-16-97	3-14-97

*This voucher was approved while the employee was on the trip, which was from 4-13-97-4-16-97.

**Employee signed TAR after the trip.

When TARs or RTAs are not approved by authorized employees, or when they are completed after trips are taken, the intent of the travel policy is defeated and an environment conducive to abuse is created.

Recommendation 8

Deny reimbursement of travel expenses for trips for which proper approval was not obtained prior to the trip being taken.

Fulfilling the travel policy's paperwork requirements is often time-consuming and inconvenient, particularly for employees who travel frequently. However, prior approval of expenditures by the appropriate authorities is an important internal control. If this control is eliminated due to time constraints or inconvenient paperwork requirements, an atmosphere that encourages abuse results. The Department should strictly enforce the travel policy's reimbursement provisions and deny reimbursement of any expenditure that was not properly approved.

FINDING

Section 8.2 of the travel policy states that charges for employee time and expense are ineligible travel expenses and will not be reimbursed. In one instance, an employee charged the City for two days of automobile rental prior to the actual start date of a business trip. The two days of auto rental represented a personal expense and should not have been charged to the City. **Exhibit 14** presents this exception.

**Exhibit 14
Ineligible Travel Expenses Charged to the City**

Reference	Description of Expense	Ineligible Amount
PV38983801168	Auto rental from 7/12/97-7/17/97*	\$54.13

* The trip was from 7/14/97-7/18/97.

Recommendation 9

Enforce travel policy provisions prohibiting employees from charging ineligible travel expenses to the City.

The Department should carefully monitor instances in which employees charge ineligible expenses and should require employees to promptly reimburse such expenses when they are discovered.

5.0 APPENDICES

Appendix 5.1
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.	If travel was outside the contiguous 48 states, did the Mayor or his designee approve it?
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?

Appendix 5.1 (Continued)
Compliance Questions Developed from Travel Policy

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

**Appendix 5.1 (Continued)
Compliance Questions Developed from Travel Policy**

Question	Description
56.	Is expenditure supported by a TER&L?
57.	Was the TER&L approved by the proper authority?
58.	Was the TER&L dated by the authority?
59.	Was the TER&L signed by the employee?
60.	Was the TER&L dated by the employee?
61.	Has the TER&L been completed within 10 days after completion of the trip?
62.	Is TER&L report supported by related receipts?
63.	Is evidence attached to the TER&L indicating that reimbursements to the City were deposited promptly?
64.	Did City employee or authorized non-employees under contract to perform services for the City complete the TAR?
65.	Have the various travel & entertainment expenses been charged to the proper accounts in the proper period?

Appendix 5.2
Compliance Test Results-Exceptions by Voucher

Voucher Reference	Yes Answers	No Answers	Percent Error Free
JV983800334	37	0	100%
PV38983801630	24	0	100%
PV38983801767	26	0	100%
PV38983801777	25	0	100%
PV38983801778	27	0	100%
PV38983801798	29	0	100%
PV38983802398	30	0	100%
PV38983802597	29	0	100%
PV38983802781	33	0	100%
PV38983802923	29	0	100%
PV38983802932	35	0	100%
PV38983803356	24	0	100%
PV38983803361	32	0	100%
PV38983803576	27	0	100%
PV38983803601	22	0	100%
PV38983804555	36	0	100%
PV38983804556	33	0	100%
PV38983804560	38	0	100%
PV38983804836	30	0	100%
PV38983804837	26	0	100%
PV38983805093	24	0	100%
PV38983805304	36	0	100%
PV38983806132	21	0	100%
PV38983806133	35	0	100%
PV38983806163	34	0	100%
PV38983806296	29	0	100%
PV38983806297	32	0	100%
PV38983806514	30	0	100%
PV38983806529	42	0	100%
JV38983800360	37	0	100%
PV38983807084	33	0	100%
PV38983807086	31	0	100%
JV38983800364	32	0	100%
JV38993800014	37	0	100%
PV38983807247	31	0	100%
JV38993800015	37	0	100%
PV38983807500	40	0	100%
PV38983807715	31	0	100%
PV38993800090	29	0	100%
JV38993800030	32	0	100%
PV38993800209	33	0	100%
JV983800126	39	1	98%

Appendix 5.2 (Continued)
Compliance Test Results-Exceptions by Voucher

Voucher Reference	Yes Answers	No Answers	Percent Error Free
PV38983803358	39	1	98%
JV38983800367	41	1	98%
PV38983806286	41	1	98%
PV38983806877	39	1	98%
JV38983800397	39	1	98%
JV983800151	35	1	97%
PV38983801178	29	1	97%
PV38983801256	37	1	97%
PV38983801612	34	1	97%
PV38983802025	37	1	97%
PV38983802587	33	1	97%
PV38983802588	33	1	97%
PV38983802934	36	1	97%
PV38983803111	33	1	97%
PV38983803353	36	1	97%
PV38983803359	35	1	97%
PV38983803362	30	1	97%
PV38983803365	35	1	97%
PV38983803589	35	1	97%
PV38983803598	29	1	97%
PV38983803607	32	1	97%
PV38983803880	35	1	97%
PV38983803881	32	1	97%
PV38983804334	32	1	97%
PV38983804358A	30	1	97%
PV38983804416	37	1	97%
PV38983804557	36	1	97%
JV38983800045	38	1	97%
PV38983805280	30	1	97%
PV38983805302	33	1	97%
PV38983805316	29	1	97%
PV38983806291	30	1	97%
PV38983806293	29	1	97%
JV38983800313	33	1	97%
PV38983806511	31	1	97%
PV38983806522	33	1	97%
PV38983806876	37	1	97%
PV38983807083	31	1	97%
PV38983807115	29	1	97%
PV38983807240	35	1	97%
PV38983807241	31	1	97%
PV38993800071	33	1	97%
PV38993800151	36	1	97%
PV38983807714	31	1	97%
PV38983807716	31	1	97%

Appendix 5.2 (Continued)
Compliance Test Results-Exceptions by Voucher

Voucher Reference	Yes Answers	No Answers	Percent Error Free
PV38993800092	30	1	97%
PV38983800891	26	1	96%
PV38983801170	24	1	96%
PV38983802022	23	1	96%
PV38983802023	26	1	96%
PV38983802598	25	1	96%
PV38983803367	23	1	96%
PV38983806290	27	1	96%
JV983800029	35	2	95%
JV983800280	36	2	95%
JV983800336	36	2	95%
JV983800393	35	2	95%
PV38983802593	21	1	95%
PV38983802599	19	1	95%
PV38983804558	35	2	95%
PV38983806135	35	2	95%
JV38983800446	37	2	95%
PV38993800072	36	2	95%
JV38983800009	33	2	94%
JV983800379	34	2	94%
JV983800400	34	2	94%
JV993802022	34	2	94%
PV38983801246	33	2	94%
PV38983801611	32	2	94%
PV38983801776	30	2	94%
PV38983802396	34	2	94%
PV38983802590	30	2	94%
PV38983802763	32	2	94%
PV38983803084	31	2	94%
PV38983803085	34	2	94%
PV38983803587	34	2	94%
JV38983800090	33	2	94%
PV38983806288	29	2	94%
PV38983807077	32	2	94%
PV38983800899	27	2	93%
PV38983802397	26	2	93%
PV38983802617	25	2	93%
PV38983803594	25	2	93%
PV38983803933	25	2	93%
PV38983804337	27	2	93%
PV38983804549	27	2	93%
PV38983805063	27	2	93%
PV38983805142	25	2	93%
PV38983805751	26	2	93%
PV38983806162	28	2	93%

Appendix 5.2 (Continued)
Compliance Test Results-Exceptions by Voucher

Voucher Reference	Yes Answers	No Answers	Percent Error Free
JV38983800191	39	3	93%
PV38983807498	25	2	93%
JV38993800022	37	3	93%
PV38993800074	26	2	93%
PV38993800295	26	2	93%
PV38983801180	33	3	92%
PV38983802029	33	3	92%
PV38983802925	35	3	92%
PV38983802931	23	2	92%
PV38983803605	35	3	92%
PV38983806533	23	2	92%
JV983800377	32	3	91%
PV38983801775	21	2	91%
PV38983803590	31	3	91%
PV38983803937	31	3	91%
PV38983804545	20	2	91%
PV38983801260	28	3	90%
PV38983805143	28	3	90%
JV38993800017	35	4	90%
PV38993800183	26	3	90%
PV38983801168	32	4	89%
PV38983802260	24	3	89%
PV38983807709	31	4	89%
PV38983803574	21	3	88%
PV38983807237	35	5	88%
PV38993800073	25	4	86%
PV38983803109	17	3	85%
PV38983802600	20	4	83%

EXHIBIT 1



CITY OF HOUSTON

Health and Human Services Department
8000 N. Stadium Dr. Houston, Texas 77054 713/794-9311

Lee P. Brown, Mayor

CITY COUNCIL MEMBERS: Bruce Tarr Michael J. Yarbrough Martha J. Wong Jew Don Boney, Jr. Rob Iodd Ray F. Driscoll Jean Kelley Felix Fraga
John E. Castillo Annise D. Parker Joe Roach Orlando Sanchez Chris Bell Carol G. Robinson CITY CONTROLLER: Sylvia R. Garcia

M. desVignes-Kendrick, MD, MPH
Director of Health and Human Services

November 3, 1999

McConnell Jones Lanier & Murphy
11 Greenway Plaza, Suite 2902
Houston, Texas 77046

Ira Wayne McConnell Managing Partner

Dear Mr. Ira:

As requested by your fax on November 1, 1999, attached is HDHHS' final response on the compliance review of travel and travel related expenses for the period July 1, 1997 through September 30, 1998. As requested also by Mr. Hopkins, we deleted our response on finding and recommendation number 10, related to minor instances of noncompliance.

If you need additional information, please call me at 713-794-9301 or Monir Ibrahim, Audit Manager, at 713-794-2990.

Sincerely,

Earl Travis
Deputy Director
Houston Department of
Health and Human Services

Attachment

xc: Monir Ibrahim
Peter James
Sally Switek
Chrissie Dickerson

**Views of Responsible
Officials**

EXHIBIT 1

Review of Travel and Travel-related Expenses

FINDING 1 - Page 10 – Use of City vehicle for in-state Travel

RESPONSE: the Director or her designee on the Appendix B must approve All travel incurred by City employees. There is no specific space on the Appendix B to approve use of a City vehicle. We will modify the Appendix B to include the City vehicle use.

NOTE: The Appendix B is a City wide Form designed by the City Controller, but the Health Department has modified the form to include more controlled items.

FINDING 2 - TER&L not liquidated within 10 days.

RESPONSE HDHHS will make every effort to enforce the 10 day rule as indicated in Section 9.2 of Administrative Procedure 2-5.

FINDING 3 Travel Advances not liquidated within 10 days of travel.

RESPONSE The City Controller has agreed to assist with this problem by docking the employee's pay for the travel advance amount when the employee fails to liquidate the advance within the mandated 10 days.

FINDING 4 Canceled airline ticket stub is not attached to the TER&L

RESPONSE A copy of the passenger receipt must be attached to all TER&L, which include air travel or it cannot be processed through HDHHS and the City Controller.

FINDING 5 Excess meal charges for days of departure or return

RESPONSE Administrative Procedure 2-5, Section 7.2 does not provide detailed guidance on the amount which may be charged for departure and return days. Per AP 2-5 "Employees will be reimbursed for actual expenses which are reasonable for the travel location". Determining the "reasonableness" of the expense is subjective and the reviewing authority's responsibility. Neither the criteria for determining "reasonableness" nor the methodology used for averaging meals over these days is included in the finding. The travel section and reviewing authorities of HDHHS will thoroughly review these expenditures for compliance with the procedure.

FINDING 6 Undated TAR and TER&L documents.

*Views of Responsible
Officials*

EXHIBIT 1

RESPONSE AP 2-5 does not require dates on the travel forms. However, HDHHS updated the forms to include a date line. We do date stamp documents at critical processing points, and encourage dated signatures.

FINDING 7 Travel Expense Classification Errors

RESPONSE The City's chart of accounts does not provide the objects necessary to distinguish travel as indicated in the review. Per Controller's office instructions, travel is classified as follows:

3905	Not used
3900	Registration
3910	Travel advances, airline tickets, travel reimbursement
3950	Mileage reimbursement

FINDING 8 Obtaining proper approval prior to incurring travel expense

RESPONSE While it makes good business sense to have travel approved prior to the trip, AP 2-5 only states that the approval must be obtained for the travel. However, HDHHS concurs that approval for travel should be obtained prior to travel related activity.

HDHHS will ensure that signature authority documents are submitted to the City Controller prior to approval of documents.

FINDING 9 Ineligible travel expense.

RESPONSE HDHHS will review travel reimbursement requests thoroughly to avoid ineligible expenses.

*Views of Responsible
Officials*