City Auditor's Office

Citywide Travel Audit

Report Issued: March 22, 2021

Audit Report No. 20-03

Auditor-In-Charge: Andrea R. Russell, CPA, CFE, CIA, CGMA

Auditor: Jessica Pautz, MBA

P O Box 150027
815 Nicholas Pkwy.
Cape Coral, FL 33915-0027
Phone 239-242-3383 Fax 239-242-3384

TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: March 22, 2021

SUBJECT: Citywide Travel Audit

The City Auditor's Office completed the audit of Citywide Travel. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to City management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Jessica Pautz at 242-3382.

C: Rob Hernandez, City Manager
Connie Barron, Assistant City Manager
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Christopher Phillips, Interim Director of Financial Services
Angela McNatt, Financial Services Project Manager
Audit Committee

TABLE OF CONTENTS

EXECUTIVE SUMMARY 4
BACKGROUND 4
AUDIT OBJECTIVES 5
STATEMENT OF AUDITING STANDARDS 5
FINDINGS AND RECOMMENDATIONS 6
SCOPE AND METHODOLOGY 10
APPENDIX A 11
APPENDIX B 12

EXECUTIVE SUMMARY

The City Auditor's Office conducted an audit of Citywide Travel. This audit is included in the City Auditor's FY20 approved Audit Plan.

Based on the test work performed and the audit recommendations noted below, we concluded overall that policies and procedures are in place and controls are operating effectively to meet the stated audit objective; however, we noted oversight of the travel process needs improvement in order to ensure policies and procedures are followed.

For details on the finding and recommendations for improvements to travel process oversight, see the Findings and Recommendations section. No material control deficiencies were noted.

BACKGROUND

The City of Cape Coral (City) created Administrative Regulation (AR) 8 to establish a uniform procedure for requesting, authorizing, and reimbursing all travel expenses. The procedures outlined in AR 8 enhance and support topics covered by the City of Cape Coral Code of Ordinances, Chapter 2, Articles IV Travel Expenses and Auto Allowances. City employees may travel for various reasons such as to conduct City business, attend professional meetings, seminars, training, or conferences, and receive awards.

The City reimburses travelers for necessary expenses incurred in connection with approved travel. All travel requests must be pre-approved prior to reservations being made. The scope of this audit covered two separate processes for travel. Prior to October 1, 2018 travel requests and expense reports were completed manually on paper. There was no separate system to process travel requests or arrangements and payments were made through the City's financial system. An employee would complete a Pre-Approved Travel Request (PATR) to document necessary approvals and any travel arrangements, if needed, would be booked separately. Once travel was complete, a travel expense report would be completed with all supporting documentation. Beginning on October 1, 2018, the City implemented an online travel and expense system called Concur. Concur is a software program that allows for automated submission and routing of travel requests, as well as a way to book reservations for lodging, airfare, rental cars, and train tickets. Expense reports are also submitted and processed through Concur. Concur provides a defined routing system, allows for electronic approvals, and has its own reporting capabilities.

Each Department Head is charged with the responsibility for determining the necessity, available resources, and justification for the need and the method of travel. See Appendix B, Travel Process Flow. The Financial Services department oversees Concur and performs random audits on expense reports for accuracy.

Reimbursements for travel are defined in AR 8; however, the City follows U.S. General Services Administration (GSA) guidelines for per diem rates. The GSA provides rates for lodging and meals and incidentals (M&IE). FY18, FY19, and FY20 M&IE for Lee County, Florida are shown below[1]:

Year	M&IE Total	Continental Breakfast/ Breakfast	Lunch	Dinner	Incidental Expenses	First and last Day of Travel
FY18	$ 59.00	$ 13.00	$ 15.00	$ 26.00	$ 5.00	$ 44.25
FY19	$ 61.00	$ 14.00	$ 16.00	$ 26.00	$ 5.00	$ 45.75
FY20	$ 61.00	$ 14.00	$ 16.00	$ 26.00	$ 5.00	$ 45.75

Divisions within each Department budget for travel expenses for food (per diem) and mileage; and travel costs such as (train, airfare, lodging, car rental). The chart below shows totals for travel-related expenditures for the past three fiscal years:

Travel Related Costs	FY18 Actuals	FY19 Actuals	FY20 Actuals
Food And Mileage (City)	$ 39,749.13	$ 51,224.11	$ 40,702.28
Travel Costs	$351,580.63	$411,372.09	$ 167,834.36
Grand Total	$391,329.76	$462,596.20	$ 208,536.64 **

**FY20 actual totals decreased due to travel restrictions to address the COVID19 pandemic.

AUDIT OBJECTIVE

The audit objective was:

- To determine if controls over employee travel reimbursements are in place and operating to ensure compliance with City regulations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[1] Per Diem Rates are from www.gsa.gov

FINDINGS AND RECOMMENDATIONS

FINDING 2020-01: Travel process oversight needs improvement

Rank: Medium

The City transitioned from a manual process for travel requests and expense reporting to a Travel and Expense software system called Concur on October 1, 2018. Travelers or their designees submit travel requests and all necessary supporting documentation for pre-approved travel within Concur. Concur offers booking options and includes GSA rates. Several ARs exist that outline policies and procedures along with guidance on travel, disbursement, and reimbursements, which include AR 8, Travel Expenses; AR 10, Accounts Payable Disbursements; and AR 69, Employee Reimbursements. The three ARs support City Ordinance 8-19, Chapter 2, Article IV Travel Expenses and Auto Allowances. AR 8 was updated on October 3, 2019, to align with the new process and procedures for processing travel in Concur; however, AR 10 and 69 were not updated to reflect changes. Failure to update all ARs associated with travel may result in inconsistent policies and procedures, inaccurate or incorrect processes followed, and incorrect reimbursements.

Travel Request

Transportation

In-state travel requests are approved by Managers or Directors, depending on the organization of the division. In addition to supervisory approval, out-of-state travel requests must be approved by the City Manager. Once travel has been pre-approved, reservations can be made. According to AR 8 and AR 2, Use of Vehicles by City Employees, documentation must be submitted to Risk Management if an employee is renting a vehicle or if family members who are not City employees travel in a City vehicle. The mode of travel identification was not included in processes with the transition from paper processing to Concur. Currently, the segments provided on the travel request must be reviewed to determine the mode of travel since it isn't documented in Concur. The mode of travel can be airfare, City vehicle, or privately owned vehicle (POV). Not documenting the mode of travel could lead to incorrect reimbursements if the employee selected fuel reimbursement when using a POV. If an employee utilizes a City vehicle, the information should be captured about any additional individuals not employed with the City who will be traveling in the City vehicle. Currently, this information is only discussed between employees and their Manager or Director and is not captured within Concur. The lack of a mode of travel in Concur could also result in Risk not being informed of external parties in vehicles and could result in a lawsuit if there was an accident with injuries.

Part of the travel request process is to obtain estimates for the entire trip. AR 8 specifically states that the use of a POV versus the comparison costs of airfare and ground transportation

should be completed by performing a search of available cost options. This comparison data should be attached to the Travel Request; however, we noted as part of our testing that this information is not uploaded to Concur. This could result in the City paying too much for travel due to insufficient review and oversight.

Lodging

AR 8 states the traveler should select the least expensive lodging options available while considering the proximity to the business destination and personal safety. After review of the lodging expenses per night, excluding taxes, it appears that the City spent less on average and more in line with GSA lodging allowances after the transition to electronic processing because of the comparison capabilities in Concur. As part of the testing of 30 PATRs (pre-Concur), the City paid an average of $66.83 more than the GSA rate for lodging with 8 out of 30 paying $100 more than the GSA rate. In our sample of travel requests from Concur, GSA rates are available for reference in Concur, the City paid an average of $58.77 more than the GSA rate for lodging which is $9.06 less than pre-Concur. Only four out of 22 paid more than $100.

	Average of Calculate average room charge per night (excluding taxes)	Average of Lodging amount set by the GSA per night (excluding taxes)	Average of Lodging differences from City charge compared to GSA	Number of samples $100 over GSA amount
Pre-Concur	$198.25	$130.83	$66.83	8 out of 30
Concur	$194.92	$139.43	$58.77	4 out of 22

Travel Expense Reports

Once travel has occurred, employees have seven business days to submit an expense report for review and approval. Items such as transportation, lodging, and support for allowable meal per diem amounts are submitted with the expense report. During the review of expense reports, we noted 18 of 30 (60%) were not submitted within seven business days. Concur offers the ability to track who views documents/receipts that have been submitted and 11 of the 30 samples (37%) did not have a Manager or Director review prior to approval. GSA Publication 463 Travel, Gift, and Car Expenses outlines accountable plans and a reasonable time for accounting for expenses, which is recommended to be within 60 days after they were paid or incurred.

Supporting documentation for transportation, lodging, and/or allowable meal per diem should be attached to the expense report so that payment can be made, and reimbursements can be disbursed to employees if necessary. Overall, we noted that with the transition to Concur, exception percentages decreased for supporting documentation for transportation but increased for lodging and allowable meal per diem. Of the 30 samples for Concur, 22 of them included lodging expenses. Two of the 22 (9%) did not provide final hotel receipts. One of the

two, received per diem for hotel expenses while staying with family. This is a result of an unclear definition of what constitutes proper supporting documentation and could result in inaccurate payments and reimbursements and non-compliance with policies and procedures.

Attribute Tested	Pre-Concur Exception Percent	Concur Exception Percent	Exception Percent Change
Supporting documents for transportation	11%	8%	-3%
Supporting documents for lodging expenses	3%	9%	6%
Meal per diem accurate, verified by Audit	30%	73%	43%
Supporting documents for meal per diem	30%	50%	20%

RECOMMENDATIONS:

2020-01a. Update AR 10 and AR 69 to align with AR 8, Ordinance, Chapter 2, Article IV, and current practices.

2020-01b. Provide training on updated ARs and Concur to minimize confusion and assist employees in adhering to policies and procedures for travel.

2020-01c. Strengthen controls over the travel process to ensure proper reimbursement or payment for travel expenses by utilizing and reviewing appropriate reports in Concur.

2020-01d. Add "mode of travel" identification in Concur and a section to capture if others will be traveling who are not employed with the City of Cape Coral.

Management Response and Corrective Action Plan:

2020-01a. AR 10 will be deleted as part of CM review process. AR 8 and 69 will be reviewed/revised as needed. Drafts routed for approvals with tentative codification date NLT 7-31-2021. Final versions of AR's to be provided to Auditor upon codification of CM.

2020-01a. Responsible Person: Financial Projects Manager

2020-01a. Anticipated Completion Date: July 31, 2021

2020-01b. Once AR's have been codified by CM, Finance will develop web-based training on expectations of travelers and management, et al and make training available via SABA. We will notify all employees via email that training is available and give synopsis of revisions. Additionally, Finance will schedule periodically email pushes

to remind employees that training is available via SABA prior to travel. Finance will work with IT to develop reporting tools so that weekly reporting can be sent to employees/managers for overdue unfiled expense reports.

2020-01b. Responsible Person: Financial Projects Manager

2020-01b. Anticipated Completion Date: August 31, 2021

2020-01c. Threshold review for lodging will be incorporated within AR revisions as well as further clarification of per diem reimbursements. AR revision will include a mandatory attachments list to be uploaded at time of travel request. Finance will work with IT to set mandatory and/or notice fields within Concur to remind travelers of requirements. Clarification will be provided on how to perform cost comparison for travel and how comparison should be documented.

2020-01c. Responsible Person: Financial Projects Manager

2020-01c. Anticipated Completion Date: July 31, 2021

2020-01d. Finance and Risk will develop a process to capture liability forms as well as the filing and disposition of forms.

2020-01d. Responsible Person: Financial Projects Manager

2020-01d. Anticipated Completion Date: July 31, 2021

SCOPE AND METHODOLOGY

Based on the work performed during the planning phase and the assessment of risk, the audit scope includes Citywide travel processes and transactions from October 1, 2017, to June 21, 2020. To evaluate travel processes, we reviewed procedures available on the City's SharePoint and completed walkthroughs to gain an understanding of the processes and the electronic software. Testing was performed using the City Ordinance, Administrative Regulations, and policies and procedures in place during the scope.

Sample size and selection were based on the CAO Sample Methodology. In order to determine if controls were in place over travel, a judgmental sampling methodology was used to select a sample of travel transactions that occurred prior to the implementation of Concur in JDE. The same judgmental sampling methodology was used to select a sample within Concur by utilizing a report that consolidated all expense reports submitted within the audit scope.

To achieve the audit objectives, we relied on the City's financial system (JD Edwards) and the electronic travel and expense software system (Concur). JDE was previously determined to be reliable in other audits and no additional data reliance testing was deemed necessary. We assessed the reliability of the data from Concur and concluded that the data was sufficiently reliable for the purposes used to meet the audit's objectives.

APPENDIX A

Finding Classification
Findings are grouped into one of three classifications: High, Medium, or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state, or local laws, regulations, statutes, or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state, or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

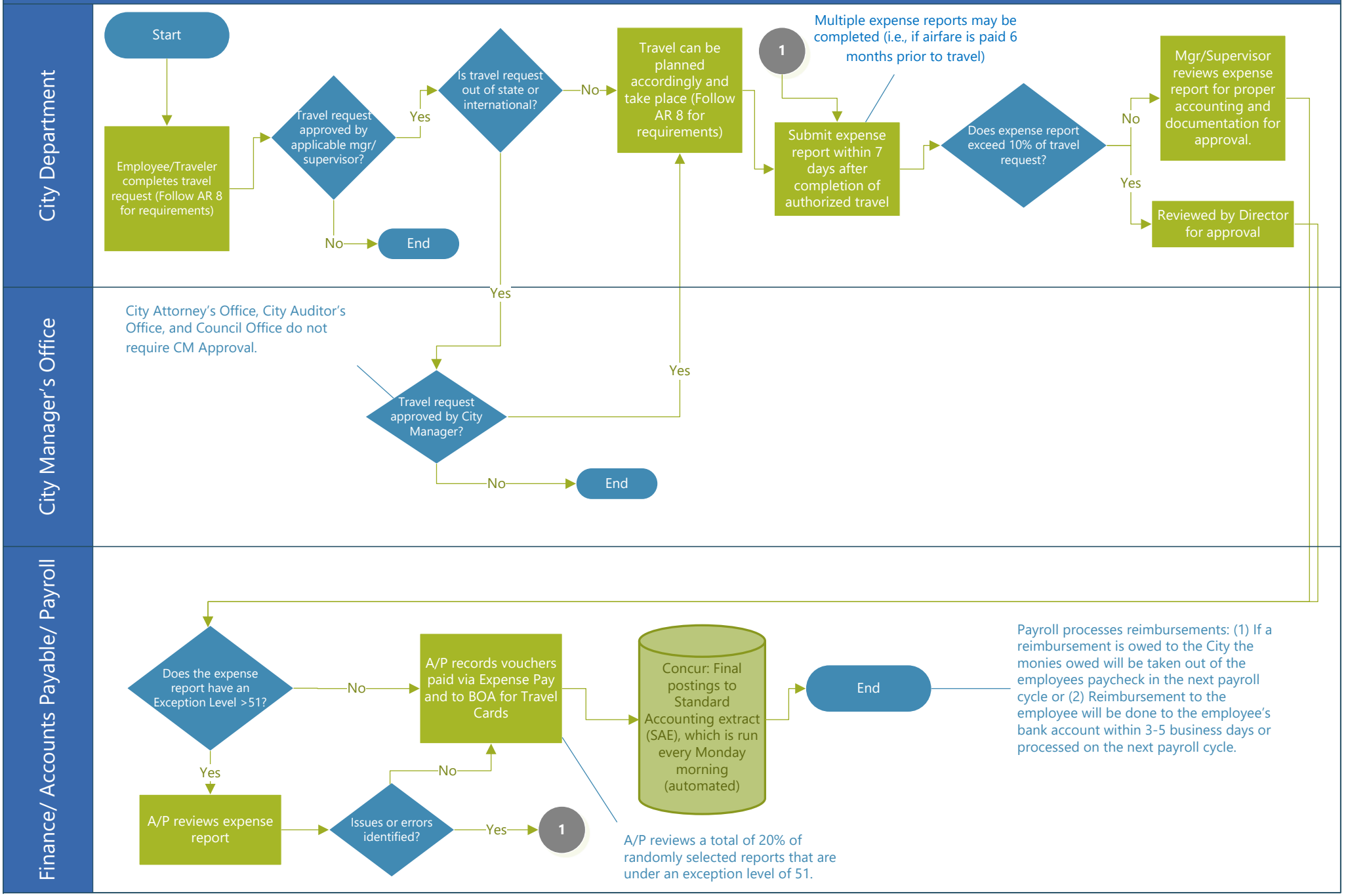
Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state, or local laws, regulations, statutes, or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place, or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state, or local laws, regulations, statutes, or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low-ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.

Concur Process Flow

Created by the City Auditor's Office

APPENDIX B