

February 24, 2014

TO: Board of Commissioners
FROM: John Hutzler, County Auditor
SUBJECT: Audit of Executive Expenses



Attached is the County Auditor's report on Executive Expenses together with the response of the County Administrator. This audit was included in our FY13 audit plan.

We reviewed a sample of executive expenses from FY10 through FY12 and the expenses of the executive who received the highest reimbursements. We noted instances of non-compliance with County policies in effect at the time expenses were incurred and made recommendations to improve the County's travel and executive reimbursement processes.

We thank the County Administrator for his prompt and comprehensive response to our recommendations. He has indicated that he will take steps to implement our recommendations, and has provided completion dates for implementation. In addition, since the Auditor's Office cannot independently audit the expenses of the County Auditor, we have requested that the CAO direct the Finance Department to audit those expenses.

The CAO may also choose to provide your Board with additional context and perspective that may explain more fully its understanding of the circumstances that resulted in the exceptions noted in our report. We have been, and will continue to be, responsive to CAO requests to review the supporting evidence for our findings.

We undertook this audit at the request of a member of your Board who wanted to reassure the public that Board expenses are reasonable, appropriate, consistent with County policy, and subject to independent review. Inappropriate expenditures of public tax dollars for travel by public officials can erode confidence in government. Because it can be difficult for employees to question the expenses of their superiors, an independent review can reassure your Board and the public that appropriate controls are in place and expenses incurred are not extravagant.

However, travel and business expenses represent a very small part of County expenditures. Efficiency and effectiveness audits of larger, more costly County programs are more likely to positively impact the County's financial condition. Public disclosure of travel expenses might be a more effective and efficient way to reassure the public than regular audits by the County Auditor's Office.

I invite your Board to consider adopting a program similar to that of El Paso County, TX. As the Oregonian recently reported, El Paso County publishes regular reports of County travel expenses. In the Oregonian's unscientific on-line poll following that story, 82% of respondents supported the idea that governments should make taxpayer-funded travel documents available online. I have chosen to publish my travel and business expenses on the Auditor's Office website.

We would like to thank the Finance Department, especially Roger Dawes and Florina Jones, for their cooperation and assistance with this audit.

Audit Team: County Auditor: John Hutzler, CIA, CGAP, CCSA
Auditor Assigned: Mona Rabii, CIA, CISA, CGAP
Reviewer: Latham Stack, CIA, CGAP

Office of the Auditor

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Washington County Auditor's Office

Audit of Executive Expenses

Final Report
February 24, 2014



John Hutzler, CIA, CGAP, CCSA
County Auditor

ERRATA

Page	Replace or Delete	With
6-7	We found that on one occasion a former elected official claimed full per diem rates for days on which some meals were included in the conference registration fee	We found that on one occasion the County reimbursed a former elected official the per diem allowance for meals that appeared to be included in the conference registration fee.
6	Payment for the dinner of a family member of a public official, at an event such as an annual banquet, is also a violation of the Oregon Government Ethics Law.	Delete sentence.

Executive Summary - Audit of Executive Expenses

Why we audited executive expenses

Inappropriate expenditures of public tax dollars for travel by public officials can erode confidence in government. Appropriate controls can reassure the public that travel serves the public interest and expenses are not extravagant. It is difficult for those working under executives to approve, deny, or question expenses. Independent auditors should periodically review those expenses. The County Auditor had not previously audited the expenses of County executives. At the suggestion of a County Commissioner, we included this audit in our plan for FY12-13.

We conducted this audit to determine whether controls over executive travel and business expenses were well designed and operating effectively. We examined whether expenses were properly reviewed and authorized, adequately supported, and incurred and paid according to County policies.

What we found

County executives incur expenses for business travel, professional dues, training and local meals. The County pays expenses that have a County purpose and serve the public interest.

County processes for managing travel and business expenses include proper segregation of duties and adequate monitoring controls, such as detailed review of expense reimbursement claims prior to payment and random audits of County P-card charges.

However, those controls did not always ensure compliance. Some executive transactions lacked proper authorization. Others lacked adequate supporting documentation. Several appeared inappropriate or questionable under County policy.

The county does not require travelers to submit a final settlement of trip expenses.

The County did not always report business expenses in the proper accounting period or accrue for incurred expenses at fiscal year-end.

Executive expenses for professional dues, training and subscriptions were directly related to the functions of their office or position.

What we recommend

Executives should improve documentation of travel by providing a detailed description of public purpose and benefit for every travel event. When travel must be authorized by the CAO, the traveler should obtain that authorization before incurring expenses.

County policy should require that employees book travel through travel liaisons. County employees should avoid paying and receiving reimbursement for the airfare and accommodations of others.

A final trip settlement, including all costs incurred, should be completed within a reasonable time after the trip. When the actual cost significantly exceeds the cost authorized before travel, the approving authority should authorize the additional expense.

Executives should improve documentation of meal expenses by consistently providing detailed descriptions of business purpose, identifying participants by name, and providing itemized receipts for every meal.

The County should budget and account for local meal expenses separately from travel expenses and monitor the reasonableness of executives' local meal expenses.

The County should establish reasonable time limits on the submission of expenses for reimbursement.

The County Administrator should clearly document his reasons for granting exceptions to County travel and expense policies.



A handwritten signature in black ink, appearing to read "John R. Hartley".

Background

The County Auditor had not previously conducted an audit of the business expenses of County executives. At the suggestion of a County Commissioner, we included this audit in our plan for the fiscal year ended June 30, 2013 (FY13).

The County's executive management team includes the Board of Commissioners, District Attorney, Sheriff, County Auditor¹, County Administrator, Assistant County Administrators, County Counsel, appointed Department Directors, Government Relations Manager, and others designated by the County Administrator. The 22 members of the executive management team comprise about 1.2% of the County's employees.

All government officials in Oregon must abide by the Government Ethics Law. In addition, Washington County establishes standards for travel and business expenses through policies adopted by the Board of Commissioners and implemented by County Administration.²

County executives may incur expenses for business travel, professional dues, training, and local business meals. The County pays expenses that have a County purpose and serve the public interest.

County policies establish travel authorization, expense reimbursement and payment processes. They specify allowable expenses, required forms and supporting documentation. These policies apply to all County employees, including elected officials and other executives. Exceptions may be granted when they are in the best interest of the County and are requested in writing.

The County Administrator has final authority for administering, interpreting and applying travel and business expense policies. The County Administrator's Office (CAO) indicated that it holds executives who report directly to the County Administrator to a standard that is well within the allowable limits of County policy. Elected officials, on the other hand, are accountable not to the County Administrator, but to their constituents.

¹ To preserve the independence of the audit process, we excluded the expenses of the County Auditor from the scope of this audit. The County Auditor is subject to audit by the Finance Department.

² County policies governing travel and business expenses were revised in February 2013, after the period under review. We assessed compliance with policies in effect at the time expenses were incurred.

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Employee travel and business expenses represent less than 0.5% of the County's operating budget. The executive management team incurred about \$190,000 (4.5%) of the County's \$4.2 million in employee business expenses during the period July 1, 2009 through June 30, 2012 (FY10-FY12). The executive management team averaged about \$2,900 per person per year in business expenses. Travel expenses, including local business meals, accounted for two-thirds of executive expenses.(Figure 1)

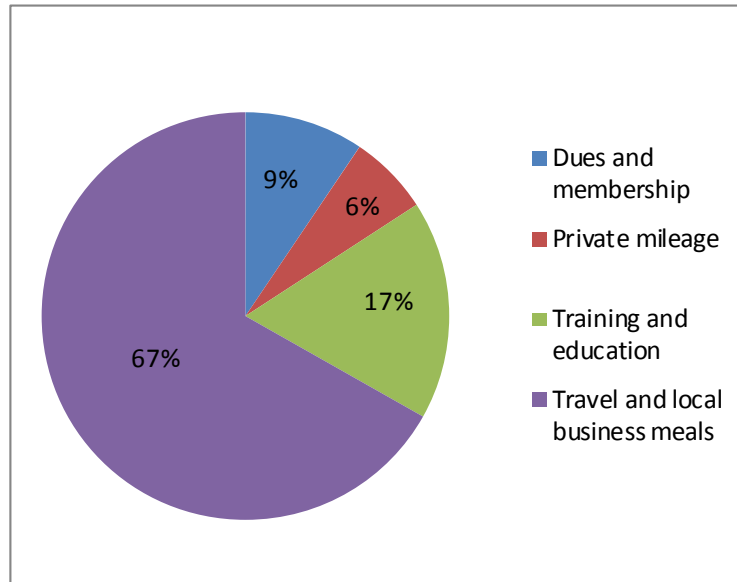


Figure 1- Executive Management Expenses by Expense Type FY10-FY12

Executives may either charge expenses to a County P-card or receive reimbursement from the County for expenses they paid. Some executive expenses, such as professional dues, conference registrations or hotel fees may be paid directly to the vendor through the County's accounts payable process.³ P-card charges accounted for 34% of total executive expenses. (Figure 2)

³ Our review of internal controls did not include a review of the accounts payable process.

Audit of Executive Expenses

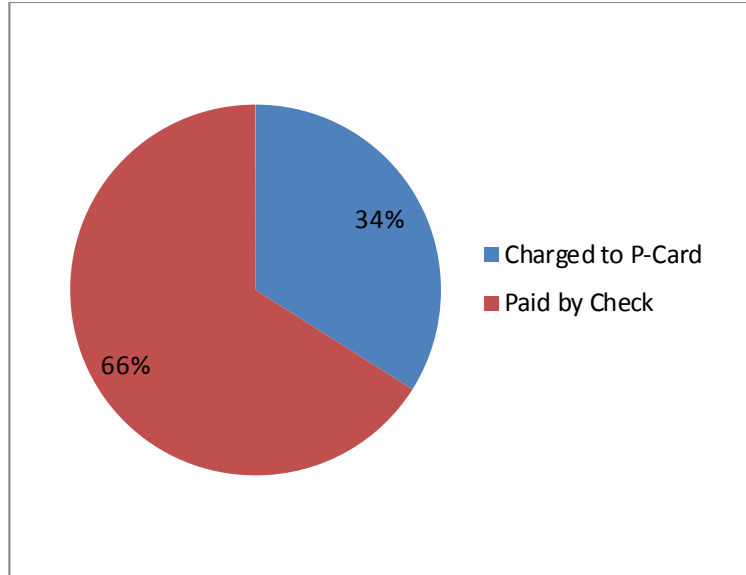


Figure 2- Executive Management Expenses by Payment Type FY10-FY12

Findings and Recommendations

Payment and Reimbursement Processes

Allowable expenses include travel expenses (transportation, lodging, meals and per diem), professional dues, training fees, subscriptions and local business meals. Expenses must have a County purpose and serve the public interest. Expenditures that violate the law or are an inappropriate use of the public's tax dollar are prohibited.

Employees may use their personal funds to pay for business expenses and request reimbursement from the County. To ensure the County reimburses employees only for allowable expenses, employees must submit an Expense Details Report supported by receipts for all expenses. Department management approves the report and forwards it to the Finance Department.

The Finance Department reviews submitted materials to confirm that travel was properly authorized and expenses were properly approved. The department also ensures that supporting documentation is adequate, costs are allocated to the correct accounts, and expense descriptions are clear, before releasing the request for payment.

Executives may obtain a County P-card and use it to pay business expenses. An authorized department employee may also pay expenses for department executives using a County P-

Audit of Executive Expenses

card. The County receives rebates on P-card purchases. County policy provides that P-cards should be used whenever possible.

Each cardholder receives a monthly statement of charges. The cardholder must prepare a P-card transaction summary and reconcile it to the bank statement. The cardholder must sign the transaction summary and the bank statement, and must attach a receipt or invoice to support each charge. An authorized department employee must approve transactions and sign the transaction summary before sending it to the Finance Department for processing.

The Finance Department audits a sample of P-card reconciliations each month to confirm that expenses were properly authorized and allowable under County policy. The Finance Department resolves issues with the cardholder, the department, or the CAO.

We concluded that the County travel and business expense processes include appropriate segregation of duties and adequate process controls. However, as described below, those controls did not always ensure compliance with County policies and procedures.

Dues, training, and subscriptions

Executive expenses for professional dues, training and subscriptions averaged about \$21,000 per year. We found that expenses incurred were directly related to the functions of the executive's office or position. Travel associated with training must also comply with County travel policies.

Travel Authorization

Employee travel must be authorized in advance. Elected officials, the County Administrator and County Counsel may authorize their own travel. Department directors may self-authorize travel within Oregon and Washington that does not involve an overnight stay. All other executive travel must be authorized by the CAO.

Forty-four (44) tested expenses involved travel that required CAO authorization. For 12 (27%) of those expenses, we found no evidence that travel had been authorized by the CAO.

Travel expenses must have a public purpose and serve the public interest. We noted that travelers often failed to document that their attendance at a conference or event would serve a public purpose.

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A clear statement of public purpose provides the basis for any required CAO authorization of travel. It documents that the trip does not violate the public trust placed in government officials. Reimbursed expenses lacking proper authorization and a clear statement of business purpose could also be treated as taxable fringe benefits by the Internal Revenue Service.

County executives should improve documentation of their travel by providing a detailed description of public purpose and benefit for every travel event. When travel must be authorized by the CAO, the traveler should obtain that authorization before incurring expenses.

Trip Settlement The county does not require travelers to submit a final settlement of trip expenses. Since expenses for a single trip may be paid and processed in different ways at different times (e.g. by P-card and by employee reimbursement), management may not be informed when the total actual cost of a trip significantly exceeds the cost authorized before travel. There is also a risk that duplicate payments could go undetected.

We recommend that a final trip settlement, including all costs incurred, be completed within a reasonable time after the trip ends. The final settlement should reflect the difference between the actual cost of the trip and the estimate approved prior to travel. When the actual cost significantly exceeds the cost authorized prior to travel, the approving authority should authorize the additional expense.

Local Business Meals According to IRS rules, local (non-travel) meal expenses must be business related, properly documented and paid according to County policy to be excludable from wages.

County policy provides that the County will pay for local meals only if the meal has a business purpose. Expenses for local meals must be reasonable and necessary. County funds may not be used to purchase alcohol. Employees must submit a detailed receipt and a list of participants. They must document the business purpose of the meal.

For 35% of local meals examined, executives did not submit itemized receipts. Without itemized receipts, we were unable to confirm the number of guests, the reasonableness of costs, and that the County had not paid for alcohol. Executives did not always provide a business purpose or identify their guests.

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County executives should improve documentation of their meals expenses by consistently providing a detailed description of business purpose, identifying participants by name, and providing itemized receipts for every meal event.

Unallowable or Questionable Expenses Overall, we considered 4% of total travel and business expenses sampled to be unallowable or questionable.

Mileage Reimbursement The County encourages employees to use County vehicles for County business. Employees may also request mileage reimbursement for using personal vehicles for County business. We found that mileage reimbursement was paid at rates established by the Internal Revenue Service.

As an alternative to mileage reimbursement, members of the executive management team receive a monthly personal vehicle allowance (PVA) as a part of compensation. PVA recipients may not use County vehicles without CAO approval. They may not claim mileage reimbursement for use of their personal vehicle on County business, except for approved business travel beyond a 100-mile radius of their assigned duty station. We found that four of thirty-one mileage reimbursements reviewed (13%) were payments to PVA recipients for travel within the 100-mile radius.

Non-employee expense County policy provides that the County will not pay costs for family members to attend a function honoring an employee. Payment for the dinner of a family member of a public official, at an event such as an annual banquet, is also a violation of the Oregon Government Ethics Law. We found that one former elected official had charged to the County the cost of award banquet tickets for family members of the employees being honored.

Lodging expense County policy provides that allowable lodging costs on trips requiring overnight stay are single room rates unless the room is shared by another County employee. We tested thirty-two lodging expenses and found two payments for former elected officials staying in two-bedroom suites, with no documentation that the suites were shared with other employees.

Per diem expense County policy provides that meals included in the registration fee for an event may not be claimed separately for reimbursement or per diem. We tested nineteen per diem payments. We found that on one occasion a former elected

Audit of Executive Expenses

official claimed full per diem rates for days on which some meals were included in the conference registration fee.

Class upgrade Prior to 2013, County policy provided that employees must pay charges for class upgrades and itinerary or booking changes, unless they were required to meet business needs of the County or resulted from unusual circumstances such as an emergency. We noted that the CAO had approved a reimbursement to an elected official for a class upgrade without clear documentation of a business need of the County or unusual circumstance such as an emergency.⁴

We have provided the CAO with the details on each of the unallowable or questionable expenses described above. We recommend that the CAO review them and take action as appropriate. We recommend that the CAO clearly document its reasons for granting exceptions to County policies.

Former Elected Official We noted that one former elected official had been reimbursed more than \$43,000 for travel expenses during the 18-month period July 2009 through the end of his term in January 2011. We decided to take a closer look at the spending and reporting practices of this official.

Travel Expenses We observed that his expense reimbursements were higher because he often paid the expenses of other County officials travelling with him. Although we were unable to determine how much of the \$43,000 in reimbursements was for his own expenses, we estimated that on one trip to Washington DC, only 25% of the nearly \$7,000 reimbursement was for his own expenses.

We noted that he incurred and received reimbursement for travel expenses for employees whose travel should have been authorized by the CAO. We did not find travel authorizations to support requests for reimbursement of those expenses. To increase accountability for travel expenses, we recommend that County employees avoid paying and receiving reimbursement for the airfare and accommodations of others.

Timeliness of reporting Another reason this official's reimbursements were higher is that he submitted expenses for reimbursement as much as eleven months after they were incurred. As a result he was

⁴ Current policy does not specify the circumstances justifying class upgrades. It provides only that exceptions may be granted on a case-by-case basis. We assessed compliance with the policy in effect at the time the expense was incurred.

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reimbursed during his last 18 months in office for 24 months of expenses. Government Accounting Standards, Generally Accepted Accounting Principles (GAAP) and Washington County policy require that operating expenses be recognized and accrued when they are incurred. As a result of this official's late submissions, \$8,000 of expenses were recorded in the wrong accounting period, because the proper period had been closed. We recommend that the County establish reasonable time limits on the submission of expenses for reimbursement.

Travel Benefits The ethics law's prohibition against using one's official position to obtain a financial gain applies to travel benefits, such as mileage awards, earned in the course of government business, unless a public body formally adopts such benefits as a part of an official's compensation package. The Washington County Board of Commissioners adopted a Resolution and Order (R&O) allowing County employees to accrue travel benefits on County business as a part of compensation.

The R&O prohibited employees from making travel arrangements to maximize this benefit to the detriment of the County. The County does not prohibit the use of personal credit cards. County policy now provides that P-cards should be used whenever possible. The County earns rebates from the use of County P-cards.

This official booked his own travel, and that of other County employees travelling with him, with airlines and hotels that awarded him travel benefits. He increased those benefits by using personal credit cards to pay travel, lodging and meal expenses for himself and other County employees. The County did not receive P-card rebates on those expenses. His actions could be seen as an abuse of the benefit. We recommend that executives book travel through their travel liaison and use County P-cards to avoid any appearance that they abused the benefit granted by the Board.

Business Meals This official regularly conducted business over meals at County expense. He spent an average of over \$500 per month on local business meals. In a single month he spent nearly \$1,000 for 26 meals. No other executive approached this level of meal expenses.

Although he documented a business purpose for each meal, listed the attendees, and often deducted an amount for alcohol from his request for reimbursement, he did not submit itemized

Audit of Executive Expenses

receipts for any of the local business meals we examined. Without itemized receipts, we were unable to confirm the number of meals purchased, the reasonableness of costs, and the exclusion of all alcohol costs.

When an elected official incurs expenses at a level that could be perceived as excessive, proper documentation can reassure the public that expenses incurred are an appropriate expenditure of public tax dollars. We recommend that County executives provide itemized receipts for local business meal expenses. County policy, as revised in 2013, clarifies that an itemized breakdown of meal charges must be provided. We also recommend that the County budget and account for local meal expenses separately from travel expenses and monitor the reasonableness of executives' local meal expenses.

Summary of Recommendations

County executives should improve documentation of their travel by providing a detailed description of public purpose and benefit for every travel event. When travel must be authorized by the CAO, the traveler should obtain that authorization before incurring expenses.

County policy should require that employees book travel through travel liaisons. County employees should avoid paying and receiving reimbursement for the airfare and accommodations of others.

A final trip settlement, including all costs incurred, should be completed within a reasonable time after the trip. When the actual cost of a trip significantly exceeds the cost authorized prior to travel, the approving authority should authorize the additional expense.

County executives should improve documentation of their meals expenses by consistently providing a detailed description of business purpose, identifying participants by name, and providing itemized receipts for every meal event.

The County should budget and account for local meal expenses separately from travel expenses and monitor the reasonableness of executives' local meal expenses.

Audit of Executive Expenses

The County should establish reasonable time limits on the submission of expenses for reimbursement.

The County Administrator should clearly document his reasons for granting exceptions to County travel and expense policies.

Objectives, Scope and Methodology

We conducted this audit to determine whether the County's system of controls over the travel and business expenses of County executives was well designed and operating effectively. We examined whether such expenses were (a) properly reviewed and authorized, (b) supported by adequate documentations, and (c) incurred and paid according to County policies.

The County's executive management team includes the Board of Commissioners, District Attorney, Sheriff, County Auditor⁵ County Administrator, Assistant County Administrators, County Counsel, appointed Department Directors, Government Relations Manager, and others designated by the County Administrator.

We reviewed relevant Washington County policies, the business expense policies of the State of Oregon, Multnomah County and the City of Portland, and the Internal Revenue Service fringe benefit guide for federal, state, and local government. We interviewed County staff involved in reviewing and processing expenses for payment or reimbursement. We observed County training on processing expenses.

We reviewed all expenses for dues, subscriptions, education and training incurred by the executive management team from FY10 through FY12 for relevance to the executive's responsibilities.

We selected from the general ledger a judgmental sample of 146 travel and business expenses incurred by or on behalf of members of the executive management team that had been paid during the three-year period, July 1, 2009 through June 30, 2012 (FY10-FY12). Our sample represented 25% (about

⁵ To preserve the independence of the audit process, we excluded the expenses of the County Auditor from the scope of this audit. The County Auditor is subject to audit by the Finance Department.

Audit of Executive Expenses

\$48,000) of executive expenses during that period, of which 66% was reimbursed expenses and 34% was charged to County P-cards. We reviewed supporting documentation for these expenses for proper authorization, approval for payment, and compliance with County policies. We expanded our review of the expenses of a former elected official who accounted for the largest proportion of executive expenses.

We conducted this 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



signed:



Audit Team: County Auditor: John Hutzler, CIA, CGAP, CCSA
Auditor Assigned: Mona Rabii, CIA, CISA, CGAP
Reviewer: Latham Stack, CIA, CGAP



WASHINGTON COUNTY

OREGON

February 20, 2014

To: John Hutzler, County Auditor

From: Robert Davis, County Administrator *RD 0106*
Don Bohn, Assistant County Administrator *DB*

Subject: Initial Response to Executive Expense Audit

Overview

The Auditor's report reviews executive expenses for the three-year period ending June 30, 2012. We are pleased to see that no major issues are identified and no major changes are recommended. Certain focused opportunities for improvement are suggested through minor revisions and fine tuning of existing policies and procedures. Our initial response to the report is further detailed in the narrative below.

Introduction

We value the opportunity the Charter provides to respond to the reports prepared by your office. As you know, the Charter contemplates a coordinated release to the Board of Commissioners of your Audit report and the Administrator's response. It is unfortunate, that in this case, our response will not benefit from a full review and discernment of the documentation used to form the audit findings and recommendations. The abbreviated window you established for our response gives scant time to conduct a thoughtful and diligent review of an audit that took ten months to complete. In order to honor the Charter, we forward this memo as an initial response. A supplemental response may be in order based on a review of the supporting documentation provided by your office.

We prepare responses to audit reports with two primary objectives in mind: 1) to provide context, perspective and details that may be lacking in the audit report; and 2) to provide thoughtful consideration to the Auditor's recommendations. While this memo is primarily focused on your recommendations, we offer several observations for the purpose of context and perspective.

- The time period covered in this audit is a three-year period that ended nineteen months ago. The Travel Policy and Fiscal Policy have been subsequently updated. As a result, in some cases the audit evaluates performance against policies and procedures that are no longer in effect.

County Administrative Office

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- Although elected officials are required to comply with County policy, they are also provided with broad independence and discretion regarding the methods by which they perform their official duties. From our perspective, the public officials serving Washington County, and subject to this audit, have consistently made travel and expense decisions with deference to the public and discernable benefit to the County.
- The County Administrator collaborates with the Chief Finance Officer, Controller and County Counsel to administer, interpret and apply internal policies in a responsible, fair and consistent manner. Through this process, a corporate understanding of the policy is established and implemented organization-wide. As the Auditor is not part of this process, it is possible that an isolated interpretation of a policy may be misaligned with the rest of the organization.
- The area of travel and expense reimbursement has continually evolved over the last twenty years. The County policies governing these areas will be updated and amended as necessary to protect the public interest and our employees.
- The report identifies nine (9) transactions over a three-year period that appeared, to the Auditor, as possibly inappropriate or questionable under County policy. Based on our preliminary review, it appears four (4) transactions involved confusion regarding the 100 mile radius rule; four (4) other transactions could be indicative of deficient documentation or misapplication of the policy; and finally, one (1) transaction (class upgrade) was incorrectly categorized in the report as questionable. This final transaction was duly approved by our office based on a corporate interpretation and application of the policy. The County will promptly address any confirmed errors, lack of documentation or oversights in the administration of the policy.
- As noted in your report, the Auditor is the only member of the Executive group not subject to this review and as such will be subject to Audit by the Finance Division. The Finance review will be transmitted to the Board of Commissioners under separate cover within the next two weeks, time permitting.

Response to the Auditor's Recommendations

The Executive Expense Audit report highlights strengths in the County process for managing business travel, professional dues, training and local meals.

The Audit findings include:

- The County pays expenses that have a County purpose and serve the public interest.

- County processes for managing travel and business expenses include proper segregation of duties and adequate monitoring controls, such as detailed review of expense reimbursement claims prior to payment and random audits of County Purchasing-card charges.
- Executive expenses for professional dues, training and subscriptions were directly related to the functions of their office or position.
- The Finance Division reviews submitted materials to confirm that travel was properly authorized and expenses were properly approved. The division also ensures that supporting documentation is adequate, costs are allocated to the correct accounts, and expense descriptions are clear, before releasing the request for payment.

The Audit report identifies a number of recommendations for process-oriented improvements as presented below with our response.

Auditor's Recommendation #1: *Executives should improve documentation of travel by providing a detailed description of public purpose and benefit for every travel event. When travel must be authorized by the CAO, the traveler should obtain that authorization before incurring expenses.*

County Administrator Response: The Travel Authorization form used by all employees has required a description of the "County Purpose" for the proposed travel. While this part of the form is regularly completed, the description can be brief and general in nature. The form has now been changed to require a description of "County Purpose and Benefit" and staff is instructed to provide specific detail. In addition, a new element has been added to the form to allow the designation of a training/travel event as a requirement for maintenance of a professional credential. The Finance Division will continue to review travel authorization forms for completeness, accuracy, and compliance with County policy. The Finance Division will also provide ongoing training and consultation to executive employees and travel liaisons.

The County Administrator routinely authorizes travel prior to expenses being incurred. In some instances, this approval has been provided verbally to allow the expedition of travel arrangements.

Auditor's Recommendation #2: *County policy should require that employees book travel through travel liaisons. County employees should avoid paying and receiving reimbursement for the airfare and accommodations of others.*

County Administrator Response: The County Travel policy allows employees (including Executives) to plan and book their own travel or utilize a travel liaison. Regardless of the method of booking, employees are required to provide an opportunity to the designated County travel agency to meet the itinerary and fare offered by an alternate provider. This

practice provides flexibility and accountability in meeting the varied travel needs of the organization and will continue.

For those employees using a personal credit card for booking travel arrangements, reimbursement will be limited to the employee's own airfare and accommodations. This change will require a Board-approved amendment to the County Travel Policy. This proposed amendment will be presented to the Board of Commissioners for consideration by August 1, 2014.

Auditor's Recommendation #3: *A final trip settlement, including all costs incurred, should be completed within a reasonable time after the trip. When the actual cost significantly exceeds the cost authorized before travel, the approving authority should authorize the additional expense.*

County Administrator Response: By August 1, 2014, the Finance Division will implement a travel event reconciliation process to unite the Travel Authorization form with details of actual expenses for each unique travel event. This revised process will allow the estimated expenses noted on the Travel Authorization form to be compared to the actual costs. By signing off on the reconciliation form, the appointing authority will effectively authorize any deviations from the original estimate.

Auditor's Recommendation #4: *Executives should improve documentation of meal expenses by consistently providing detailed descriptions of business purpose, identifying participants by name, and providing itemized receipts for every meal.*

County Administrator Response: Section 9.2 of the County Travel Policy requires an employee to provide the following information to substantiate the reimbursement of business meal expense.

1. Date of business meal
2. Place/location
3. Person(s) with whom the business meal was consumed
4. Affiliation
5. Business purpose
6. Itemized breakdown of the meal charges
7. Total amount incurred including a reasonable gratuity

Over the last eighteen months, the Finance Division has been actively engaged with employees to improve the documentation of business meal expenses. The Finance Division regularly reviews reimbursement submittals and has experienced a high rate of compliance. When issues or deficiencies are identified, the Finance Division works with the employee or department to facilitate compliance.

The Finance Division has instructed executives and other employees to request and submit an itemized receipt as part of the reimbursement process. Unfortunately, not

every business provides an itemized receipt, and employees sometimes forget to ask for one. The Finance Division will continue to train, monitor and enforce these requirements.

Auditor Recommendation #5: *The County should budget and account for local meal expenses separately from travel expenses and monitor the reasonableness of executive's local meal expenses.*

County Administrator Response: We intend to maintain the current budgeting and accounting methodology for FY 2014-15. The County will consider implementation of this recommendation as part of the FY 2015-16 budget process.

Auditor Recommendation #6: *The County should establish reasonable time limits on the submission of expenses for reimbursement.*

County Administrator Response: Although nearly all reimbursement forms are submitted timely, we will revise the Fiscal Policy to require the submittal of reimbursement forms within 45 days of an expense being incurred. This will be implemented by August 1, 2014.

Auditor Recommendation #7: *The County Administrator should clearly document its reasons for granting exceptions to County travel and expense policies.*

County Administrator Response: The County Administrator, or designee, will provide detailed justification for granting exceptions as part of the reimbursement and travel reconciliation process. As a note, exceptions are extremely rare and are only approved after consultation with the Finance Division and County Counsel, if appropriate.

Conclusion

We appreciate the work of the Auditor's Office and believe implementation of the agreed upon recommendations noted above will improve the County's administration of the travel and executive reimbursement processes. We look forward to providing additional context and perspective regarding your findings as we have an opportunity to review the supporting documentation.

In looking forward, we would like to reach a mutually agreeable timeframe for the County Administrator to prepare the required response to your Audit reports. It is vital, and we believe a Board of Commissioners' expectation, that staff has the time to respond in a comprehensive and professional manner.

Thank you.