



Washington County Auditor's Office

Final Follow-up Report

Audit of Executive Expenses

Final Report
November 23, 2015



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I. Background and Summary

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.

We conducted the original 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.

In our February 24, 2014 Audit of Executive Expenses report, we found that County processes for managing travel and business expenses include proper segregation of duties and adequate monitoring controls. However, those controls did not always ensure compliance with County policies. We made seven recommendations for policy and process improvement.

In August, 2014 we released our first follow-up report. We found that changes to the County Travel and Business Expenses Policy, proposed by County Administration and adopted by the Board on July 22, 2014, addressed most of the audit recommendations. Because certain audit findings resulted from non-compliance with existing County policy, we decided to conduct further follow-up on two recommendations to confirm that corrective actions were effectively implemented to achieve executive compliance with County policies.

The two recommendations on which we performed additional follow-up are presented in **bold** below. We found that additional training and monitoring significantly improved compliance with County policies, but there remains room for further improvement. We are closing the last two audit recommendations as Partially Implemented.

In summary, three of the seven recommendations were Fully Implemented, three were Partially Implemented and one was Not Implemented.

II. Status of Audit Recommendations

- 1. 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.***

Status on First Follow-up - In Process. The Travel Authorization Form was revised to require both the name of the event and a statement of County purpose and benefit. The form also allows employees to identify the training as required to maintain professional credentials. County policy provides that a Travel Authorization Form must be approved prior to travel being incurred. Changes to County Travel Policy and procedures require that travelers attach a copy of their approved Travel Authorization Form to a Trip Reconciliation Form to be submitted within 45 days of travel. The County Administrator, in his response to the original audit report, indicated that the Finance Division would provide ongoing training to executive employees and travel liaisons.

Final Status – Partially Implemented. We found that Finance had conducted several trainings on the new travel policies, but the department was unable to document attendance at the training sessions. We found that all trips had been authorized in advance, but detailed descriptions of public purpose and benefit had not been provided for one-third of travel authorizations reviewed.

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.*
Status on First Follow-up – Partially Implemented. The Travel Policy now provides that reimbursement of airfare and accommodations paid with a personal credit card will be limited to the traveler’s own airfare and accommodations. The County will continue to allow employees to book their own travel.

3. *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.*

Status on First Follow-up – Fully Implemented. The Travel and Business Policy now requires that travelers submit a Travel Summary, including all costs incurred, within 45 days of travel. The form requires the user to include both actual and estimated costs, along with an explanation for any significant differences. By approving the Travel Summary, the appointing authority will authorize any additional expenses not covered by the Travel Authorization approved prior to travel.

4. ***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.***

Status at First Follow-up – In Process. County policy requires such documentation. The County Administrator indicated that the Finance Division would train, monitor and enforce compliance with documentation requirements for business meals.

Final Status – Partially Implemented. We found that for all business meals reviewed, County executives had included a detailed description of business purpose and identified participants by name. However, 25% of business meal reimbursements reviewed did not include itemized receipts. There is still room for improvement in documentation of business meals.

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

Final Status on First Follow-up – Not Implemented.

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

Status on First Follow-up – Fully Implemented. The Travel and Business Expenses Policy now requires that reimbursement claims be submitted within 45 days of the expense being incurred.

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

Status on First Follow-up – Fully Implemented. The Travel and Business Expense Policy now requires that any exceptions to the policy must be approved in writing by the County Administrator of designee.

III. About this Review

We performed additional follow-up on two recommendations from our Audit of Executive Expenses that had remained In Process following our first follow-up report. We reviewed Finance Department records of training on revised travel policies. We reviewed travel and p-card expenses submitted by County executive staff, other than the County Auditor, from September 2014 to October 2015. We determined whether trips had been authorized before travel and whether the travel authorization included a detailed description of County purpose of benefit. For business meal expenses, we determined whether supporting documentation included a detailed statement of business purpose, the names of participants and itemized receipts.

We concluded that a recommendation had been **Fully Implemented** if we found that the recommended actions had been completed or that the County has adequately addressed the issues identified by the Auditor by alternative means. We concluded that a recommendation had been **Partially Implemented** if we found that some, but not all, actions had been completed and no further action on the recommendation was planned. We concluded that a recommendation was **Not Implemented**, if we found that no action had been to implement the recommendation.

We conducted this follow-up 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.

The County Administrator chose not to file a response to this report.



Signed:

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Washington County Auditor