



# Washington County Auditor's Office

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## Follow up Report

### Audit of Executive Expenses

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August 12, 2014



John Hutzler, CIA, CGAP, CCSA

## **I. Background and Summary**

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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.

On February 24, 2014 the County Auditor issued his report to the Board of County Commissioners (the Board) titled "Audit of Executive Expenses." 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.

On July 23, 2014, the County Administrator reported to the Board progress made in implementing corrective action. We have reviewed the County Administrator's report and supporting evidence. This is the County Auditor's first follow-up report on the audit of Executive Expenses.

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 address most of the audit recommendations. Because certain audit findings resulted from non-compliance with existing County policy, we will conduct further follow-up to confirm that corrective actions were effectively implemented to achieve executive compliance with County policies.

## **II. Overview of the Original Audit and Follow-up**

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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.

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 to improve documentation, increase accountability, and enhance expense transparency.

In this, our first follow-up report on implementation of audit recommendations, we found that the County had revised its Travel and Business Expenses Policy to address most of our recommendations. We found that the County had fully implemented three recommendations and partially implemented one recommendation. One recommendation will not be implemented.

Two recommendations remain in process. We will conduct additional follow up in six to twelve months to determine whether corrective action has been effective in promoting executive compliance.

### III. Status of Audit Recommendations

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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.***

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.

***Current Status – In Process.*** Because this recommendation resulted from findings of non-compliance with existing County policy, we will conduct further follow-up in six to twelve months to confirm that corrective actions were effectively implemented to achieve executive compliance with revised County policies.

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.***

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.

***Final Status – Partially Implemented***

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.***

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.

***Final Status – Fully Implemented.***

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.***

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.

**Current Status – In Process.** Because this recommendation resulted from findings of non-compliance with existing County policy, we will conduct further follow-up in six to twelve months to confirm that corrective actions were effectively implemented to achieve executive compliance with County policies.

- 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 – Not Implemented.**

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

The Travel and Business Expenses Policy now requires that reimbursement claims be submitted within 45 days of the expense being incurred.

**Final Status – Fully Implemented.**

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

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.

**Final Status – Fully Implemented.**

## IV. About this Review

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On July 23, 2014, the CAO reported to the Board of Commissioners on progress in implementing seven recommendations from our audit of executive expenses. We reviewed the County Administrator's report and supporting evidence.

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 identified a recommendation as **In Process** if we intend to conduct additional follow-up to determine whether actions completed or planned have been effective in implementing 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 CAO chose not to file a response to our report.



Signed:

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John Hutzler, CIA, CGAP, CCSA  
Washington County Auditor

Audit Team: Mona Rabii, Program Auditor