

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON PUBLIC LIBRARY DEPARTMENT  
TRAVEL COST COMPLIANCE AUDIT**

**Judy Gray Johnson, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

JUDY GRAY JOHNSON, CPA

May 14, 2003

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

SUBJECT: Houston Public Library Department  
Travel Cost Compliance Audit – (Report No. 02-10)

Dear Mayor Brown:

The City Controller's Office Audit Division has completed a travel cost compliance audit of the Houston Public Library Department. The audit's objective was to determine if travel expenses were supported, computed, approved and reported in compliance with Administrative Procedure 2-5.

The report, attached for your review, concludes that the Department is in compliance with Administrative Procedure 2-5, except for the findings and recommendations presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to actions being taken are appended to the report as Exhibit I.

We commend the department for taking immediate action on the recommendations identified in the report. Also, we appreciate the cooperation extended to our auditors by Department personnel during the audit.

Respectfully submitted,

Judy Gray Johnson  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Stephen O. Tinnermon, Chief of Staff, Mayor's Office  
Barbara Gubbin, Director, Houston Public Library Department  
Philip Scheps, Ph.D., Director, Finance and Administration Department

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VIEWS OF RESPONSIBLE OFFICIALS – EXHIBIT I

## SCOPE AND PURPOSE

We have completed a travel cost compliance audit of the Houston Public Library Department (Department). The audit's objective was to determine if travel expenses were supported, computed, approved and reported in compliance with Administrative Procedure No. 2-5. The audit scope period was from July 1, 2000 through December 31, 2001.

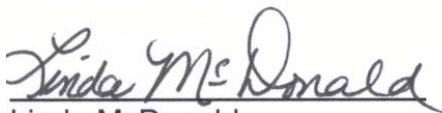
The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test compliance with Administrative Procedure No. 2-5. This was a financial related audit executed in accordance with Generally Accepted Government Auditing Standards.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately comply with Administrative Procedure No. 2-5. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

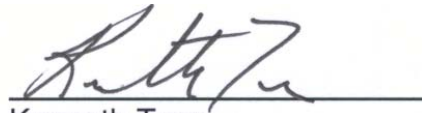
Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

## CONCLUSION

Based on the results of our audit, we conclude that the Department is in compliance with Administrative Procedure No. 2-5, except for the findings and recommendations presented in the body of the report.



Linda McDonald  
Auditor-in-charge



Kenneth Teer  
Audit Manager



Steve Schoonover  
City Auditor

## INTRODUCTION

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 Administrative Procedure (A.P.) No. 2-5. 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. During the scope period, the Department incurred approximately \$127,000 in travel, training-related and non-training-related expenses.

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.

An employee completes a TAR prior to the date of departure. If the travel involves a car rental, it must be justified on the TAR. The TAR is then 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 at least 5 working days prior to the anticipated date of departure. 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.

## AUDIT FINDINGS AND RECOMMENDATIONS

### I. ADMINISTRATIVE PROCEDURE NO. 2-5

#### BACKGROUND

A.P. No. 2-5 establishes the guidelines for various travel-related reimbursements such as, parking charges, meals, tips, mileage, and travel expense report approval. The City's guidelines indicate that when employees share transportation in a private vehicle, reimbursement for parking charges is allowed to only one traveler. Employees are reimbursed for meals based on the maximum average established for the travel destination, \$40 for most and \$50 for some locations. The per diem for meals can be averaged over the total number of full non-travel days thus allowing an employee to "underspend" some days and "overspend" the established limit on other days. Mileage for use of a private automobile is reimbursed at the current approved rate in effect during the audit scope period.

#### FINDING

Seven of the 40 (18%) travel vouchers tested contained instances of non-compliance with A.P. No. 2-5, which are explained as follows:

- 1) One employee was denied reimbursements for valid travel-related charges. The employee was denied reimbursements for valid parking charges incurred while attending an out-of-town seminar in San Antonio, Texas. (A.P. No. 2-5, Section 7.3)
- 2) One employee was denied reimbursements for meal charges incurred while attending a seminar in San Francisco. The allowable per diem meal charge for San Francisco is an average of all meals taken on non-travel days of \$50.00. The employee was well within the allowable limit. The authorizing approver denied the meal charges for one non-travel day since the total for that day exceeded the \$50.00 limit. The approver should have averaged the meals, and not denied the one day charge. The employee's average cost of meals for the 4 non-travel days was \$40.00 per day, well below the allowable limit. (A.P. No. 2-5, Section 7.2.1)
- 3) One employee was denied reimbursements for tips paid on meals taken on two travel days. The employee did not exceed the \$40 per diem, and should have been allowed reimbursement of the tips. (A.P. No. 2-5, Section 7.2.3)

- 4) One employee was reimbursed for mileage at a rate that was not consistent with the approved rate of 32 ½ cents per mile. The employee was reimbursed \$126.75 for a round trip to San Antonio, Texas totaling 460 miles (28 cents per mile).
- 5) Another employee was reimbursed \$170.00 for a round trip to Fort Worth, Texas totaling 561 miles (30 cents per mile).
- 6) The Deputy Director did not obtain approval authorization on one of her Travel Expenses Summary Report. (A.P. No. 2-5, Section 9.2.2)
- 7) Two of the 31 travel vouchers that involved air travel did not contain copies of the employees' cancelled airline tickets as required by A.P No. 2-5.

**Table 1** presents those vouchers that contain instances of non-compliance with A.P. No. 2-5.

**Table 1**  
**Vouchers containing instances of non-compliance with**  
**A.P. No. 2-5.**

Item No.	Transaction Reference	Date of Travel	Travel Destination
1)	PV01340005181	03/28/01	San Antonio, TX
2)	PV01340005891	06/14/01	San Francisco, CA
3)	PV01340004894	03/28/01	San Antonio, TX
4)	PV01340004834	03/27/01	San Antonio, TX
5)	PV01340005806	05/24/01	Fort Worth, TX
6)	PV01340004147	02/06/01	Austin, TX
7)	PV01340003246 PV01340005071	01/12/01 03/29/01	Washington D.C. San Antonio, TX

**RECOMMENDATION**

We recommend that Department management promote and ensure compliance with A.P. No. 2-5. One way to accomplish consistent enforcement of A.P. 2-5 would be to provide in-house training sessions for the Department's appointed Approving Managers.

## II. PRIVATE AUTOMOBILE

### BACKGROUND

A.P. No. 2-5, Section 7.7.5 states “An employee may use his/her car for official travel if this mode of transportation is determined to be a reasonable utilization of employee time and cost does not exceed the cost of round trip transportation using other modes of transportation (the estimated cost of parking should be included in the cost estimate).”

### FINDING

In the seven sample items tested when a personal vehicle was used by the employee for travel, no documentation was provided to support the alternative cost of round trip transportation to the travel site.

### RECOMMENDATION

We recommend the Department provide documentation supporting the alternative cost of round trip transportation to a travel site. These costs should be used to limit the amount reimbursed to the employee to ensure the cost of driving a personal vehicle does not exceed the cost of other modes of round trip transportation. The documentation should be included as part of the liquidation packet. Attaching a copy of an internet airline price quote for the round trip or similar transportation documentation would fulfill this requirement.

## III. APPROPRIATE FORM FOR PRIVATE VEHICLE USE

### FINDING

In the past, the Department has used Form C, *Departmental Vehicle Use Report – City Vehicles*, to indicate that an employee is going to drive to his destination. In four of the seven (58%) travel vouchers tested where a vehicle was used by the employee for travel, it was unclear as to whether a City-owned vehicle was used, or if the employee used their personal vehicle. In these instances, the employees were reimbursed for mileage.

**Table 2** presents those vouchers that used a Form C for mileage reimbursements.



**Table 2**  
**Vouchers that included mileage reimbursements requests**

Transaction Reference	Date of Travel	Travel Destination	Amount of Reimbursement
PV01340005806	05/24/01	Fort Worth, TX	\$170.00
PV01340004834	03/28/01	San Antonio, TX	\$126.75
PV01340000247	07/27/00	Austin, TX	\$110.50
PV01340005071	03/28/01	San Antonio, TX	\$16.25

Management has represented that in all four instances sited in Table 2, that the employees did use their personal vehicles, and not City-owned cars.

**RECOMMENDATION**

We recommend that Department management begin using Appendix D found in A.P. 2-5 as the form used by the employees when requesting personal vehicle use mileage reimbursements, rather than Form C. Additionally, the original Travel Authorization Request should specifically state whether an employee is planning to use their personal vehicle.

**IV. TRAVEL EXPENSE REPORTS**

**BACKGROUND**

Employees are required to complete an expense report within 10 working days after completion of the trip. 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.

**FINDING**

Expense reports were completed more than 10 days after the completion of the trip for 6 of 40 (15%) travel expense reports tested. In the instances noted, expense reports were completed between 1 and 38 days after 10 days had expired. The purpose of the 10 days rule is to ensure travel expenses are recorded and excess travel advances are promptly returned to the City.

Table 3 presents those vouchers that were not in compliance with the 10 days rule as of the end of fieldwork.

**Table 3**

**Vouchers Not in Compliance with the 10 days Rule**

<b>Transaction Reference</b>	<b>Date Trip Completed</b>	<b>Date TER&amp;L Completed</b>	<b>Work Days Overdue</b>
PV01340004147	02/08/01	04/17/01	38
PV01340000784	08/07/00	09/07/00	13
PV01340003336	01/06/01	01/29/01	6
PV0134G000555	02/14/01	03/02/01	2
PV01340005845	05/23/01	06/07/01	2
PV01340005848	05/23/01	06/06/01	1

**RECOMMENDATION**

We recommend the Department comply with the City's travel policy that requires the completion of an expense report no later than 10 working days after completion of a trip.

# EXHIBIT I



**CITY OF HOUSTON**  
Library Department

**Interoffice**

Correspondence

To: Judy Gray Johnson, City Controller

From: Barbara A.B. Gubbin, Director

Date: May 1, 2003

Subject: **LIBRARY RESPONSE TO FINDINGS OF  
LIBRARY DEPARTMENT TRAVEL COST  
COMPLIANCE AUDIT FOR JULY 1, 2000  
- DECEMBER 31, 2001**



Our management response to the findings of the Library Department travel cost compliance audit for the time period from July 1, 2000 through December 31, 2001 is as follows:

#### **I. Administrative Procedure No. 2-5**

There were seven findings noted in the audit report for the time period between 34 and 16 months ago. Three of the exceptions disallowed travel expenditures for tips, parking and meals when they should have been allowed in accordance with Administrative Procedure No. 2-5. Two exceptions were due to the application of the incorrect mileage rate, one was due to the lack of an approval signature, one was attributable to the lack of a cancelled airline ticket. We agree with the findings. We attribute the inconsistency to the lack of supervisory review. In addition, there is a need to update the Library's Policies and Procedures Manual so that staff may reference the correct policy and procedure.

We agree with providing in-house training sessions for the appointed Approving Managers. In addition, we will provide additional staff training to the employees who process the travel and expense reports. A checklist will be completed for each travel expense report and the Financial Services Division Manager will review and approve all expense reports.

#### **II. Private Automobile**

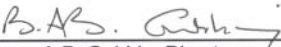
We agree with the findings for the travel expense reports that occurred between 34 and 16 months ago. At that time, the Department did not maintain the supporting documentation of the applicable airline ticket that would substantiate the limit to reimburse an employee who utilizes an alternative cost of round trip transportation. The Department currently maintains an e-mail with the approved expense report as supporting documentation to substantiate the reimbursed travel expenditure.

#### **III. Appropriate Form for Private Vehicle**

We agree with the finding. Between 34 and 16 months ago, there were four instances where employees received mileage reimbursement for their personal vehicles and the incorrect form was utilized. The Department is currently using the correct form.

#### **IV. Travel Expense Reports**

We agree with the audit findings. Between 34 and 16 months ago there were six expense reports which were completed after 10 days had expired.

  
Barbara A.B. Gubbin, Director

cc: Sahira Abdool, Deputy Director for Library Administration  
Helen McDonald, Division Manager for Financial Services

**Views of Responsible  
Officials**