

Municipality
of
Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438

Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

September 13, 1996

Internal Audit Report 96-09
Municipal Travel

Introduction. It is the policy of the Municipality that employee travel for official business outside the Anchorage area be in the most direct and economical way to accomplish the business. Employee travel shall be approved for travel that is necessary and prudent. Municipal Policy and Procedure 68-1, Employee Travel Approval; 68-2, Employee Travel Expenses and Per Diem; and 68-3, Reimbursement of Business Meal Expenses have been implemented to manage employee travel.

Scope. The objective of this audit was to determine whether Municipal travel was conducted and administered in compliance with Municipal Policy and Procedures (P&P's). We randomly selected 62 out of a total of 457 trips completed between January 1, 1995, and February 29, 1996, and reviewed supporting documentation to determine compliance with P&P's. The audit was conducted in accordance with generally accepted government auditing standards and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of April through May 1996.

Overall Evaluation. Municipal travel was properly conducted. All trips reviewed were for official business and were properly approved. However, we did find some noncompliance with the administrative requirements set forth in the P&P's. We also noted two other areas that required clarification to facilitate compliance with the P&P's.

The table below summarizes travel activity for 1992-1995. The information below does not include trips that were at no cost to the Municipality.

Year	Number of Trips	Percentage Change	Travel Costs	Percentage Change
1992	461		\$557,757	
1993	509	10%	\$584,497	5%
1994	421	-17%	\$510,137	-13%
1995	426	1%	\$504,732	-1%

FINDINGS AND RECOMMENDATIONS

1. Noncompliance with Municipal Policy and Procedures.

- a. **Finding.** Our review of documentation for selected trips revealed some noncompliance with the P&P's. Specifically, documentation for 22 out of 62 randomly selected trips contained one or more items of noncompliance. We are 95% confident that between 24% and 46% of all trips from January 1, 1995, to February 29, 1996, contained some noncompliance with current P&P's. The errors noted were as follows: no final itinerary, missing explanation for phone calls over \$10 reimbursed by the Municipality, per diem not calculated accurately, and travel expense reports not approved by agency head.

- b. **Recommendation.** Accounts Payable should ensure that the P&P's are followed and all required documentation has been submitted. Incomplete Travel Expense Reports should be returned to the traveler for completion.
- c. **Management Comments.** The Chief Fiscal Officer concurred and stated, "**Final Itineraries:** Final itineraries vary in format and content and have been of limited use in the final processing of travel expense reports. Most travel expense report documentation is contained in other back up and the final itineraries are not used. As a result, limited importance has been placed on their receipt. The recently revised Travel Policy and Procedure 68-1 has eliminated the requirement for final itineraries unless there are deviations from the approved travel.

"**Telephone Calls:** Supervisory attention will be increased to ensure that telephone calls greater than \$10 are accompanied by appropriate supporting documentation or notes.

"**Per Diem Calculations:** Travel variations and other issues often make it difficult to determine the correct per diem calculations. Based upon each situation, supervisory judgement is applied on how the per diem should be calculated. It should be noted that seven sampled trips had per diem calculations in error. The net effect was that the travelers were under paid \$66.00.

"**Agency Head Approval:** If the agency head does not sign the Travel Expense Report, acting signature authority is reviewed to determine if the person signing was in an acting capacity. If so, the processing continues. If not, the Travel Expense Report is returned for the appropriate signature.

"All travel expense documentation receives a two step supervisory review through the Accounts Payable Supervisor and the Controller. A more detailed review will be

undertaken at the Accounts Payable level to identify any administrative deviations. These will be either noted or have appropriate corrective action taken prior to being forwarded to the Controller.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the finding and recommendation.

2. **Policy and Procedures Required Revision.**

- a. **Finding.** Current P&P's required revision to clarify compliance with the requirement to use the most economical airfare and hotel and prescribe procedures for canceled trips.

- 1) **Airfare and Hotel Rates:** Current Municipal procedures were not clear regarding compliance with the policy requiring the most economical airfare and hotel rates be utilized. P&P 68-2 required that a reconciliation of the actual airfare to the most economical and direct fare be included in the travel packet if indirect routing is used or the trip is extended. Also, an explanation was required if an uneconomical hotel was used. In the majority of the cases examined, it was not possible to determine if the most economical airfare and hotel rate was actually used. Airfare and hotel rates did not always appear to be the most economical. However, it was not possible to determine if less costly alternatives were available at the time. Under the current policy, the absence of a reconciliation or explanation indicates that the most economical fare or rate was utilized and does not take into consideration that the required reconciliation or explanation may not have been prepared when the fare or rate utilized was not the most economical.

2) Canceled Trips: There were no policy or procedures regarding canceled trips. Our review of 25 canceled trips during 1995 revealed a variety of costs that were incurred prior to the cancellation. Some of these expenses were airfare, registration fees, and travel advances. P&P 64-2, Training and Educational Assistance Program, requires reimbursement of tuition if an employee voluntarily does not attend the seminar or conference. However, there were no procedures specifying how the cancellation was to be documented and approved and how a refund would be collected. Further, the P&P's regarding travel did not contain any mention of trip cancellation. Thus there was no guidance on how to document, approve and control cancellations, or how to process and recoup pre-paid airfare, registration fees and any other prepaid expenses.

b. Recommendation. P&P's relating to Municipal travel should be revised to: 1) clarify what constitutes the most economical airfare and hotel room and what financial liability the traveler has if the most economical rates are not used; and 2) include procedures pertaining to canceled trips, both voluntary as well as those beyond the control of the traveler.

c. Management Comments. The Chief Fiscal Officer concurred and stated, "**Airfare and Hotel Rates**: A philosophical statement in the Travel Policy and Procedure about using the most economical airfare and hotel rates is needed for the purpose of emphasizing to both the traveler and the taxpayers that the Municipality is concerned about the effective use of public funds. Without changes in the airline ticket purchase or the hotel reservation processes, determining if the most economical fares and rates were obtained would be very costly. Since obtaining the most economical fares and rates is always our goal, Accounts Payable will investigate the issue to determine if cost effective ways can be developed to determine if the best fares and rates were used.

“**Canceled Trips:** The next revision to the Travel Policy and Procedure will require the return of unused tickets to Accounts Payable. The tickets will then be returned to Purchasing for holding and reissue or refund action. In the interim, a memorandum will be sent to all department heads requiring the return of unused tickets to Accounts Payable.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Override of Municipal Policy and Procedure.**

- a. **Finding.** Municipal Policy and Procedure 68-1 states that travel by more than one person would not normally be approved to the same location or meeting. We found that in 26 out of the 62 trips reviewed, more than one individual was approved to travel to the same location or meeting. While we do not question the decision to send more than one individual, we do question the intent of the policy statement when such a high percentage (42%) of trips required more than one traveler.
- b. **Recommendation.** The Municipal Manager should re-evaluate the policy regarding travel by more than one person to the same location. If this policy is considered to still be valid, more specific guidelines on when travel by more than one person to the same meeting or location is appropriate should be considered.
- c. **Management Comments.** The Municipal Manager stated, “The Administration concurs with the finding and recommendation. When the Travel Policy comes up for review/revisions in July 1997, the Administration will more clearly define the justification for ‘travel by more than one person to the same meeting or location’.”

Internal Audit Report 96-09
Municipal Travel
September 13, 1996

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion with Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:
Brenda Applegate