



# PRINCE WILLIAM COUNTY

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## Prince William County, Virginia Internal Audit Report – Expense Reimbursement

October 29, 2019



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# TRANSMITTAL LETTER



October 29, 2019

The Board Audit Committee of  
Prince William County, Virginia  
1 County Complex Court  
Prince William, Virginia 22192

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Pursuant to the internal audit plan for calendar year ending (“CY”) 2019 for Prince William County, Virginia (“County” / “PWC”), approved by the Board of County Supervisors (“BOCS”), we hereby present the internal audit of expense reimbursement process. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on November 19, 2019.

Our report is organized into the following sections:

|                                |   |
|--------------------------------|---|
| <b>Executive Summary</b>       | This provides a high-level overview and summary of the observations noted in this internal audit, as well as the respective risk ratings.   |
| <b>Background</b>              | This provides an overview of the expense reimbursement process as well as relevant background information.  |
| <b>Objectives and Approach</b> | The objectives of this internal audit are expanded upon in this section, as well as the various phases of our approach.   |
| <b>Observations Matrix</b>     | This section gives a description of the observations noted during this internal audit and recommended actions, as well as Management’s response including the responsible party, and estimated completion date. |
| <b>Process Maps</b>            | This section illustrates process maps related to the expense reimbursement process.   |

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

*RSM US LLP*

**Internal Auditors**



## EXECUTIVE SUMMARY

### Background

Prince William County offers employees the ability to receive reimbursements or cash advances for business expenses incurred on the job. The expense reimbursement program functions similarly to the Purchase Card (“PCard”) program, however, unless they exercise the cash in advance option described below, employees are required to pay business expenses up front and be reimbursed after the expenses are incurred, rather than applying business expenses to a County issued PCard. The total amount reimbursed through the program was ~\$1,057,000 from July 1, 2018 to June 31, 2019.

As part of the expense reimbursement program, employees have the option to receive cash in advance of travel for their related expenses (“travel advances”). As part of the expense reimbursements, the County provided ~\$288,000 in travel advances from July 1, 2018 to June 31, 2019.

The County’s financial management system, Ascend, is used by employees to submit expense reimbursement requests, and is the document retention database that is utilized to store receipts and other required support for reimbursement. The expense reimbursement program is monitored by Accounts Payable within the County’s Finance Department’s Payroll & Disbursements Division, and all expense reimbursements should comply with applicable County policies and procedures.

The County maintains various policies and procedures applicable to the reimbursement process like the *Travel Policies and Procedures*, *Petty Cash Funds Policy*, and *Procurement Card Procedures*. County employees have access to these policies through the County intranet, which provides guidance to employees on the submission process for reimbursement requests, including prohibited expenses.

### Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk.

### Objectives and Scope

The primary objective of this internal audit was to evaluate the effectiveness and adequacy of key processes and control functions for expense reimbursements, and assess compliance with applicable County policies and procedures. Specific procedures included the following:

- Identified and assessed the effectiveness of segregation of duties and access controls applicable to the in-scope processes and systems;
- Assessed the adequacy of the applicable policies, procedures and guidelines;
- Assessed the adequacy of document retention procedures related to expense reimbursement;
- Tested a sample of expense reimbursements for proper justification, approval, and documentation of receipt by the responsible persons;
- Reviewed forms utilized; and
- Performed data analytics, by combining data from applicable sources, to identify transactions with an elevated risk of fraud, misuse, and abuse.

The scope of this internal audit encompassed 8,526 reimbursement transactions from July 1, 2018 to June 31, 2019.

Fieldwork was performed July through September 2019.

### Summary of Observation Ratings

(See page 3 for risk rating definitions)

|                       | High | Moderate | Low |
|-----------------------|------|----------|-----|
| Expense Reimbursement | -    | -        | 5   |

***We would like to thank all County team members who assisted us throughout this audit.***



## EXECUTIVE SUMMARY – CONTINUED

### Observations Summary

Following is a summary of the observations noted in the areas reviewed. The detailed observations are included in the observation matrix section of the report. Process improvement opportunities have been provided following the detailed observations section. Definitions of the rating scale are included below.

| Summary of Observations                                   |        |
|---|--------|
| Observation   | Rating |
| 1. Expense Review, Approval, and Supporting Documentation | Low    |
| 2. Allowable Reimbursements                               | Low    |
| 3. Travel Advances  | Low    |
| 4. Expense Reimbursement On-going Monitoring              | Low    |
| 5. Tuition Reimbursements                                 | Low    |

Provided below is the observation risk rating definitions for the detailed observations.

| Observation Risk Rating Definitions |   |
|-------------------------------------|---|
| Rating                              | Explanation   |
| Low                                 | Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.  |
| Moderate                            | Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term. |
| High                                | Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.        |



## BACKGROUND

### Overview

Prince William County offers employees the ability to receive reimbursements or cash advances for business expenses incurred on the job. The expense reimbursement program functions similarly to the Purchase Card (“PCard”) program, however, unless they exercise the cash in advance option described below, employees are required to pay business expenses up front and be reimbursed after the expenses are incurred, rather than applying business expenses to a County issued PCard. The total amount reimbursed through the program was ~\$1,057,000 from July 1, 2018 to June 31, 2019. In addition to business expenses, the expense reimbursement program is utilized to reimburse employees for benefits such as tuition reimbursement.

The County’s financial management system Ascend, is used by employees to submit expense reimbursement requests, and is the document retention database that is utilized to store receipts and other required support for reimbursement. The expense reimbursement program as a whole is monitored by Accounts Payable within the County’s Finance Department’s Payroll & Disbursements Division. All expense reimbursements should comply with applicable County policies and procedures.

Due to the varying nature of business-related expenses, the County maintains various policies and procedures applicable to the reimbursement process, including the *Travel Policies and Procedures*, *Petty Cash Funds Policy*, and *Procurement Card Procedures*. Employees have access to these policies and procedures through the County’s intranet, which provides guidance to employees on the submission process for reimbursement requests, including prohibited expenses.

### General Monitoring of Program

It is the responsibility of each employee’s immediate Supervisor or designee within each department to review each expense reimbursement request and ascertain that the request is reasonable, reflects actual expenses incurred, includes appropriate supporting documentation, and complies with applicable County policies, laws and regulations. If the request is legitimate and all required supporting documentation has been provided, the Supervisor or designee will submit approval through the Ascend software, utilizing the IExpense Module. After expenses have been approved by the department, staff within Accounts Payable review the supporting documentation and approvals within Ascend. If approved, reimbursements are distributed through ACH or by check.

### Financial Analysis

The expense reimbursement program is frequently utilized and relied upon by County employees. The below represents the volume of expenses reimbursements over the past three fiscal years:

|         | Expense Reimbursement Program Usage |               |               |
|---------|-------------------------------------|---------------|---------------|
|         | Employee Count                      | Expense Count | Total Expense |
| FY 2019 | 1,550                               | 8,526         | \$1,057,833   |
| FY 2018 | 1,486                               | 8,300         | \$1,043,207   |
| FY 2017 | 1,487                               | 8,174         | \$1,012,415   |



## BACKGROUND – CONTINUED

### Statistical Information

The below represents the volume of expense reimbursements from July 1, 2018 through June 30, 2019.

| Top 12 County Departments with Expense Reimbursements |               |                          |               |                    |                 |
|---|---------------|--------------------------|---------------|--------------------|-----------------|
| Department  | Expense Count | % of Total Expense Count | Total Expense | % of Total Expense | Average Expense |
| Community Services                                    | 2,098         | 25%                      | \$303,737     | 29%                | \$145           |
| Fire & Rescue   | 351           | 4%                       | \$157,739     | 15%                | \$449           |
| Social Services                                       | 993           | 12%                      | \$113,580     | 11%                | \$114           |
| Police  | 454           | 5%                       | \$91,656      | 9%                 | \$202           |
| Parks & Recreation                                    | 511           | 6%                       | \$50,826      | 5%                 | \$99            |
| Information Technology                                | 424           | 5%                       | \$40,442      | 4%                 | \$95            |
| Library   | 557           | 7%                       | \$36,488      | 3%                 | \$66            |
| Finance   | 357           | 4%                       | \$34,927      | 3%                 | \$98            |
| Public Works  | 207           | 2%                       | \$28,035      | 3%                 | \$135           |
| Board of County Supervisors                           | 302           | 4%                       | \$24,684      | 2%                 | \$82            |
| Virginia Cooperative Extension                        | 297           | 3%                       | \$23,265      | 2%                 | \$78            |
| Criminal Justice Services                             | 210           | 2%                       | \$21,468      | 2%                 | \$102           |
| Commonwealth Attorney                                 | 122           | 1%                       | \$19,673      | 2%                 | \$161           |
| Economic Development                                  | 202           | 2%                       | \$17,539      | 2%                 | \$87            |

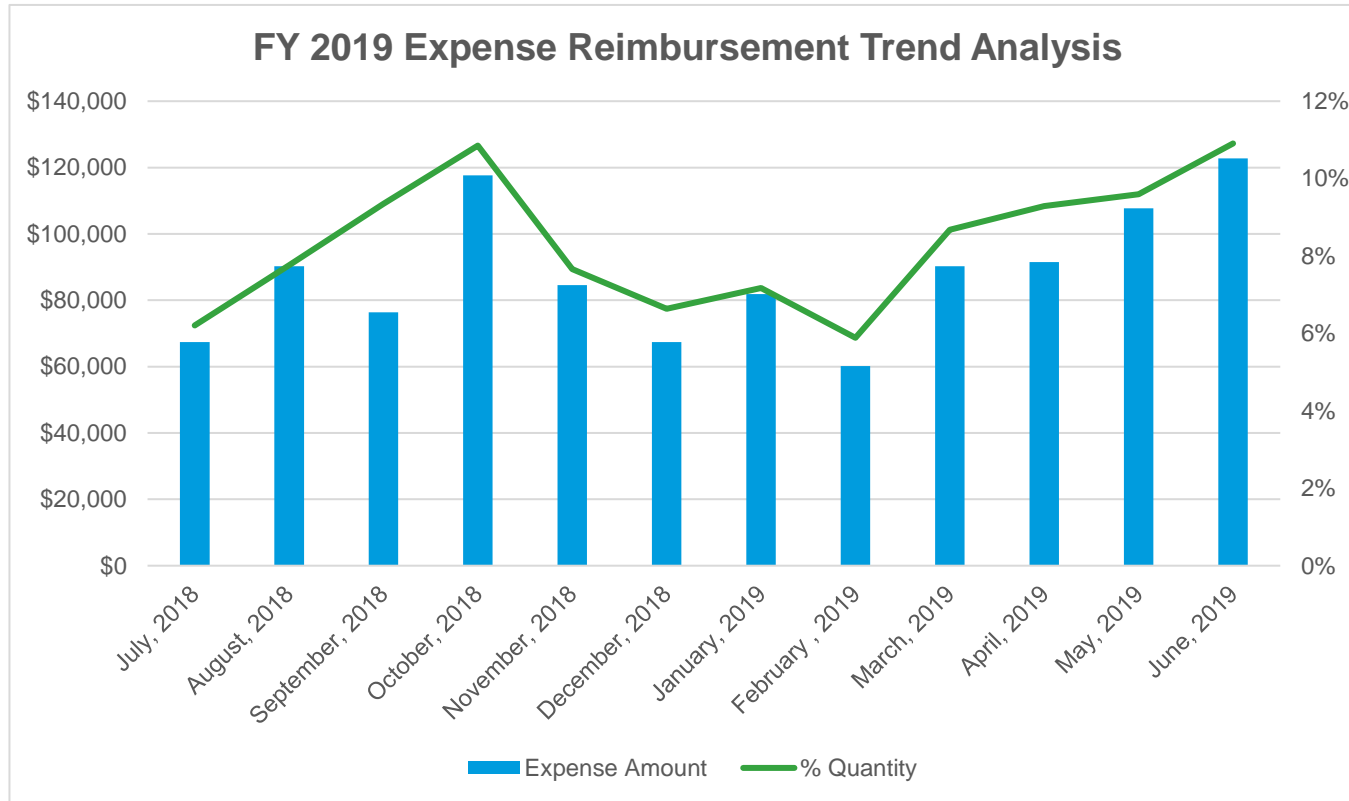
| Top 12 Expense Types            |               |                          |               |                    |                 |
|---------------------------------|---------------|--------------------------|---------------|--------------------|-----------------|
| Expense Type                    | Expense Count | % of Total Expense Count | Total Expense | % of Total Expense | Average Expense |
| Mileage                         | 2,243         | 36%                      | \$451,502     | 43%                | \$101           |
| Conference/Education            | 260           | 4%                       | \$153,598     | 14%                | \$591           |
| Lodging                         | 371           | 6%                       | \$146,270     | 14%                | \$394           |
| Per Diem                        | 535           | 9%                       | \$108,594     | 10%                | \$164           |
| Miscellaneous Charges           | 367           | 6%                       | \$34,758      | 3%                 | \$95            |
| Non Travel - Food               | 693           | 11%                      | \$25,994      | 2%                 | \$38            |
| Airfare                         | 65            | 1%                       | \$22,954      | 2%                 | \$353           |
| Conference Fees                 | 97            | 2%                       | \$20,784      | 2%                 | \$214           |
| Non Travel - Certification Fees | 164           | 3%                       | \$16,752      | 2%                 | \$102           |
| Office and Operating Supplies   | 225           | 4%                       | \$12,241      | 1%                 | \$26            |
| Parking / Tolls                 | 435           | 7%                       | \$11,231      | 1%                 | \$54            |
| Uniform and Apparel             | 75            | 1%                       | \$8,920       | 1%                 | \$119           |



## BACKGROUND – CONTINUED

### Statistical Information – Continued

The quantity and value of expense reimbursements vary throughout the fiscal year. The below represents the expense reimbursements provided each month of FY 2019 in terms of dollar value and percentage of total reimbursements for the fiscal year.



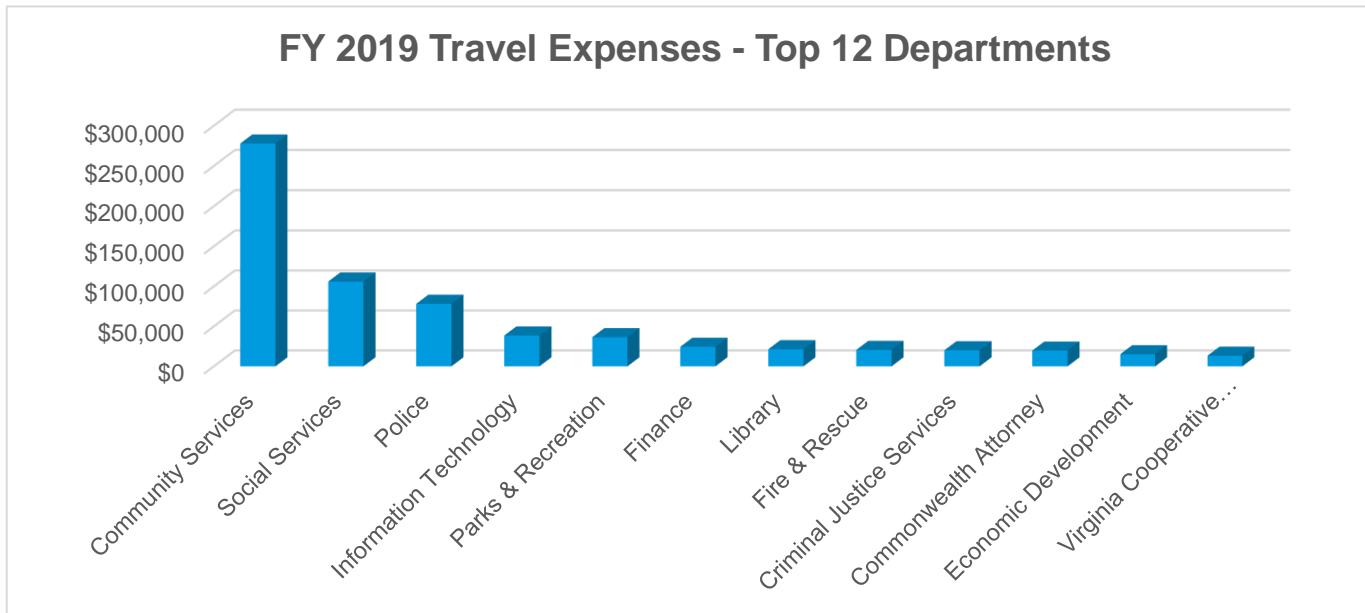




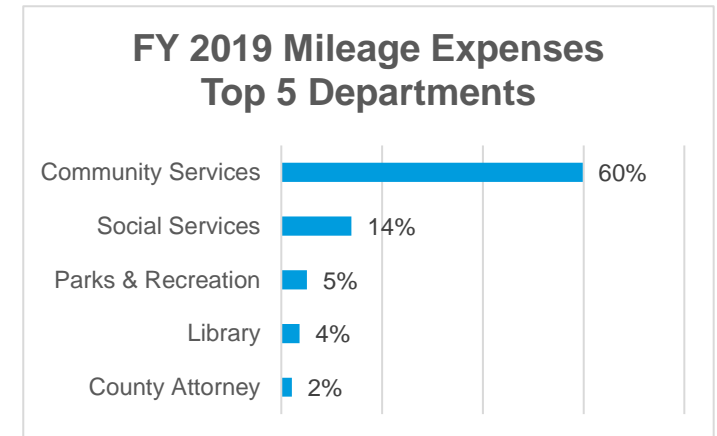
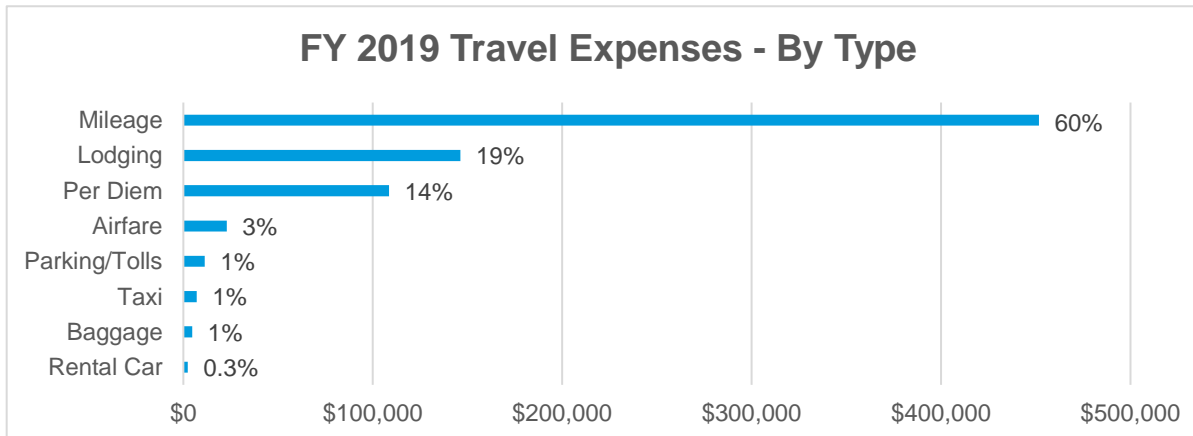
## BACKGROUND – CONTINUED

### Statistical Information – Continued

The expense reimbursement program is utilized primarily for travel expenses. During FY 2019 travel expenses accounted for 75% of all expense reimbursements. The below represents travel expense reimbursements in terms of dollars (\$) spent during FY 2019.



Note: Travel expenses include airfare, lodging, per diem, mileage, tolls/parking, baggage and rental cars.





## OBJECTIVES AND APPROACH

### Objectives

The objective of this internal audit was designed to evaluate the effectiveness and adequacy of key processes and control functions for expense reimbursements and assess compliance with applicable County policies and procedures.

The scope of this internal audit encompassed 8,526 reimbursement transactions from July 1, 2018 to June 31, 2019.

### Approach

Our audit approach consisted of the following three phases:

#### Understanding and Documentation of the Process

During this phase of the audit, we conducted interviews with the appropriate representatives from the Finance Department to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We obtained and reviewed 1) copies of financial information; 2) applicable County policies related to this internal audit and 3) other documents deemed necessary, performed walkthroughs of the process(es) and key controls to gain an understanding of the function and assess the design of the process/key controls, documented the process(es) via flowchart, and developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.

#### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to validate expense reimbursements, and to test for compliance and operating effectiveness of the process and key controls on a sample basis. Our testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included the following:

- Identified and assessed the effectiveness of segregation of duties and access controls applicable to the in-scope processes and systems;
- Assessed the adequacy of applicable policies, procedures and guidelines;
- Assessed the adequacy of document retention procedures related to expense reimbursement;
- Tested a sample of expense reimbursements for proper justification, approval, and documentation of receipt by the responsible persons, including verification of the following:
  - Employee seeking reimbursement was an active employee;
  - No missing receipts;
  - Receipts appear to be valid including amount of detail;
  - Timeliness and approval of expense reports;
  - Purchase is appropriate for department/division including charging to the proper business unit and account;
  - Reimbursement is at the maximum Per Diem rate published by the Finance Department in accordance with U.S General Services Administration ("GSA") 75% Rule (less meals provided);
  - Mileage expense was correctly reimbursed according to the IRS mileage rate, and the correct documentation provided for approval per policy, "The Approving Authority shall certify the reasonableness of mileage was verified using a mapping tool (such as MapQuest) or odometer reading;
  - Reimbursement amount agrees to the reconciliation performed by the employee, supervisor, and Finance Department/Payroll & Disbursements Division; and
  - Department follow-up and resolution for transactions violating County policy.



## OBJECTIVES AND APPROACH – CONTINUED

### Approach – Continued

#### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness – continued

- Reviewed forms utilized;
- Performed data analytics, by combining data from applicable sources, to identify transactions with an elevated risk of fraud, misuse, and abuse, including:
  - Transactions with round numbers;
  - Transactions which are restricted by use of keywords;
  - Duplicate expense amounts; and
  - Key words or vendor names that might suggest personal expenses; and
- Provided recommendations for process improvements.

#### Reporting

At the conclusion of this audit, we summarized our findings into this report. We conducted an exit meeting with the appropriate Management personnel and have incorporated Management's response into this report.



## OBSERVATIONS MATRIX

| Observation | 1. Expense Review, Approval, and Supporting Documentation  |
|-------------|--|
| Low         | <p>A two-level review is completed within Ascend for all submitted expense reimbursements, including (1) A department level review is completed by a Supervisor, or designee, and (2) a Finance level review is completed by staff within the Accounts Payable team. If reimbursement requests do not meet applicable requirements, the requests are rejected or additional information is requested. The County utilizes the <i>Travel Policy and Procedures</i> document for expense reimbursement guidelines, which includes the following requirements among others:</p> <ul style="list-style-type: none"> <li>• <i>“The requirement that Employees and Volunteer Fire/Rescue Company Team Members keep records (including receipts) of the amount, time, place and nature of official County business expenditures to be reimbursed by the County”.</i></li> <li>• <i>“For local or overnight travel mileage reimbursements, the minimum requirement for documentation is a street name and city/state for both the destination and arrival sections of the Local Travel Reimbursement and Overnight Travel Reimbursement Reports. The Approving Authority shall certify the reasonableness of mileage was verified using a mapping tool (such as MapQuest) or odometer reading.</i></li> <li>• <i>“Meals and incidental expenditures (M&amp;IE) will be reimbursed at the current federal per diem rates (less meals provided) as defined by the U.S. General Services Administration (GSA) using the maximum per diem rates for travel to the locality. Incidental expenses include laundry and dry cleaning and fees and/or tips for waiters and baggage handlers. Taxi fares or costs of telecommunications or telephone calls (including one call of reasonable duration to the Employee’s or Volunteer Fire/Rescue Company Team Member’s home per day) are not subject to the maximum per diem rates.</i></li> <li>• <i>“All claims for travel reimbursement shall be presented for payment within seven (7) days after completion of the trip. Employee and Volunteer Fire/Rescue Company Team Member Travel Reports older than two (2) months will not be honored, except where good cause is demonstrated to the Director of Finance.”</i></li> </ul> <p>As part of our transactional testing of 174 expenses within fifty (50) expense reports and twenty-five (25) travel advance samples we identified the following:</p> <ul style="list-style-type: none"> <li>• One (1) instance in which a travel advance had no Supervisor approval prior to initiating the travel advance;</li> <li>• One (1) instance in which the travel advance was submitted within four (4) days of travel, which is outside the timeframe allowed by policy. The policy states: <i>“Within at least ten (10) business days, but no more than twenty (20) days, in advance of travel”;</i></li> <li>• Two (2) instances in which receipts were not retained for travel related expenses amounting to \$464;</li> <li>• One (1) instance, amounting to \$98, in which there was no evidence of Supervisor review of supporting documentation (maps) and normal work commute was not subtracted;</li> <li>• One (1) instance that a per diem expense was incorrectly calculated and reimbursed based on the GSA’s 75% rule, amounting to an over-reimbursement of \$28.82. The employee submitted the full per diem rate of \$45.75 for the first and last day of travel, but should have only received 75% of M&amp;IE per diem for the days; and</li> <li>• Twenty-one (21) instances in which expense reimbursement claims were submitted greater than seven (7) days after their end of travel date or expense date; ranging from then (10) to ninety-two (92) days.</li> </ul> <p>Proper and complete reviews of expenses reimbursements, in accordance with County policy, reduces the County’s risk of reimbursing inappropriate, inaccurate, duplicate, prohibited, erroneous or fraudulent reimbursement requests.</p> |



## OBSERVATIONS MATRIX – CONTINUED

| Observation                   | 1. Expense Approval and Supporting Documentation – continued  |
|-------------------------------|---|
| <b>Recommendation</b>         | <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• A re-emphasis be provided to all County employees and assigned reimbursement approvers of the required supporting documentation and review process to substantiate expense reimbursements. The re-emphasis can be accomplished by distributing the results of this internal audit, including updated policies and procedures. See recommendation within observation #2.</li> <li>• The <i>Submission Details</i> section of the <i>Travel Policy and Procedures</i> document should be amended to allow employees more time after returning from travel or incurring expenses to submit expenses. Although the earlier the better, it is not reasonable to expect employees to submit expenses within seven (7) days making enforcement of such policy ineffective. County may choose to utilize a required expense reimbursement submission date of thirty (30) days after the expense has occurred. The <i>IRS Publication 463 (2018), Travel, Gift, and Car Expenses</i> states that to meet the rules of the accountability plan expenses must be submitted within sixty (60) days after occurrence.</li> </ul> |
| <b>Management Action Plan</b> | <p><b>Response:</b> Management concurs with the observation. The Finance Department’s Payroll &amp; Disbursement Division will schedule bi-annual training sessions for departments and agencies to re-emphasize the supporting documentation required to comply with policies and procedures. In addition, the Payroll &amp; Disbursement Division will undertake a comprehensive review of existing policies and procedures and propose amendments, as necessary, to clarify documentation requirements. In addition, the Travel Policy and Procedures will be amended to provide a thirty (30) day window for reimbursement, modeled after IRS guidelines.</p> <p><b>Responsible Party:</b> Payroll &amp; Disbursement Division, Disbursement Manager</p> <p><b>Estimated Completion Date:</b> No later than July 1, 2020</p>  |



## OBSERVATIONS MATRIX – CONTINUED

| Observation                                   | 2. Allowable Reimbursements   |
|---|---|
| <p style="text-align: center;"><b>Low</b></p> | <p>The County does not maintain an all-inclusive policy specific to expense reimbursements. Various policies, such as the <i>Travel Policy and Procedures</i>, <i>Procurement Card Procedures</i> and <i>Petty Cash Funds Policy</i> are utilized to establish guidelines for the Expense Reimbursement program.</p> <p>As part of our review we identified the following:</p> <p>a. Twenty-one (21) expense reimbursements, within the population of 8,526 analyzed, would be considered non-compliant based on the <i>Procurement Card Procedures</i>, but were approved as reimbursable expenditures. <i>Note: More instances most likely occurred, but due to limited information available as part of expense reimbursement data (only manual descriptions) they are unidentifiable without reviewing supporting documentation (receipts).</i></p> <p>Based on prohibited purchases identified by the <i>Procurement Card Procedures</i> the following reimbursements would be non-compliant:</p> <ul style="list-style-type: none"> <li>• Nineteen (19) purchases amounting to \$3,053 would be prohibited under “gift cards, gift certificates, or greeting cards”;</li> <li>• One (1) purchase amounting to \$59 would be prohibited under “personal expenses”; and</li> <li>• One (1) purchase amounting to \$73 would be prohibited under “computers and computer equipment”.</li> </ul> <p>b. There is no formal annual communication provided to employees of expense reimbursement policy and procedures. The various policies referenced above are available for review on the County Intranet; however, this is the only resource for employees to be educated regarding the requirements of the expense reimbursement program.</p> <p>Centralized, complete and documented policies and procedures allow a process to be executed effectively in a controlled manner. Effective policies and procedures decrease the risk of fraud/misuse, and strengthen the ability to provide proper management over the County’s expense reimbursement program. When employees are trained on policies, and subsequent policy changes, they are much more likely to understand and follow the policy.</p> |
| <p><b>Recommendation</b></p>                  | <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Create centralized policies and procedures specific to the expense reimbursement program; including roles and responsibilities of employees and reviewers, and all applicable regulations, guidelines and processes.             <ul style="list-style-type: none"> <li>○ Include instances when expense reimbursements are allowable, that would be non-compliant if purchased by PCard (ex. gift cards).</li> <li>○ Develop a County-wide meal policy which includes prohibited and allowable activities related to non-travel meals.</li> <li>○ Include references to <i>Procurement Card Procedures</i> and instructions on how to receive a PCard.</li> </ul> </li> <li>• Review policies and procedures, at a minimum in accordance with the County’s <i>Meta Policy</i> and update, as needed (include the revised date within the document).</li> <li>• Notify employees of any updates to related policies and procedures. For example, formalized training, instructional video(s), newsletter, etc.</li> <li>• Annually, expense reimbursement policies should be circulated to all County employees as a reminder of the current allowable expenses and the reimbursement process.</li> </ul>   |



## OBSERVATIONS MATRIX – CONTINUED

| Observation                   | 2. Allowable Reimbursements – continued   |
|-------------------------------|---|
| <b>Management Action Plan</b> | <p><b>Response:</b> Management concurs with the observation. A separate expenditure reimbursement policy and procedure will be developed that focuses on expense reimbursement and defines employee and reviewer/approver roles and responsibilities. Specifically, the policy will:</p> <ul style="list-style-type: none"><li>• Include clear policy language emphasizing what is allowable or not ( i.e., non-program related gift cards)</li><li>• Include a section on County wide allowable reimbursement for meals, including non-travel meals.</li><li>• Emphasize and make references to the PCard Policy and Procedures and reference how to obtain a PCard.</li></ul> <p>In addition, policies and procedures will be reviewed and updated in accordance with the County’s Meta Policy and posted on the County’s intranet site, PWConnects.</p> <p><b>Responsible Party:</b> Payroll &amp; Disbursement Division, Disbursement Manager</p> <p><b>Estimated Completion Date:</b> No later than July 1, 2020</p> |



## OBSERVATIONS MATRIX – CONTINUED

| Observation | 3. Travel Advances  |
|-------------|---|
| Low         | <p>As requested by employees, the County will provide funds to employees prior to incurring travel expenses (“travel advances”) by check or ACH. After the expense has been incurred, the employee is required to submit the supporting documentation (receipts) and provide any unutilized funds (“excess reimbursements”) back to the County by check or money order. Accounts Payable facilitates the travel advance process including review, initiation, reconciliation, and on-going monitoring.</p> <p>Between July 1, 2018 and June 30, 2019 the County provided 598 travel advances to County employees, amounting to ~\$287,600 or ~27% of all expense reimbursements.</p> <p>There is no strategy in place to minimize the utilization of travel advances as part of the expense reimbursement program. Due to advances in the County’s PCard Program and the personal credit card industry in general, County employees should no longer need to rely on travel advances to facilitate County business. Travel advances should only be utilized for explicit reasons as detailed within applicable County policies and procedures. Travel advances increase expense reimbursement processing time, staff work load, risk of fund misappropriation, and write-offs for low-dollar excess reimbursements.</p> <p>As part of our review we identified the following inefficiencies:</p> <ul style="list-style-type: none"> <li>• Based on inquiry / timed observation, it is estimated that each cash advance requires, at a minimum, ~12 additional minutes due to the upfront processing and the subsequent reconciliation. Therefore, a minimum of ~7,200 minutes were utilized by Accounts Payable staff processing travel advances during FY 2019.</li> <li>• A significant amount of travel advances provided for small dollar amount expenses:             <ul style="list-style-type: none"> <li>○ ~5% were for amounts less than \$100</li> <li>○ ~16% were for amounts less than \$150</li> <li>○ ~30% were for amounts less than \$200</li> </ul> </li> <li>• During FY 2019, fifty-two (52) low-dollar excess reimbursements, were written-off by Accounts Payable. In some cases when an employee spends less than their advance, Accounts Payable does not retrieve the funds because the amount is judgmentally considered immaterial versus the level of effort it would take to retrieve the funds (ex. &lt; \$5). There is currently no documented threshold related to write-offs for unutilized travel advances. Excess reimbursements are not treated as employee wages <i>as required by IRS Publication 463 (2018), Travel, Gift, and Car Expenses</i>.</li> <li>• Based on twenty-five (25) travel advances tested, the average time between an employee receiving a travel advance and the subsequent expense reconciliation was thirty-six (36) days. Five (5) travel advances were reconciled over sixty (60) days after the advance was provided. Unreconciled advances over sixty (60) days are not treated as employee wages <i>as required by IRS Publication 463 (2018), Travel, Gift, and Car Expenses</i>.</li> <li>• In nine (9) of twenty-five (25) instances (36%) tested, the employee spent less than was provided in advance therefore unutilized funds were retrieved from the employee by check or money order. The funds were retrieved on average, six (6) days after the expense reconciliation was completed by Accounts Payable. Note, additional time is required for Accounts Payable to monitor outstanding advances and follow-up with employees.</li> <li>• There is no system generated aging report for travel advances. Ascend does not currently provide a tool to accurately and efficiently monitor excess travel advances owed back to the County.</li> </ul> |





## OBSERVATIONS MATRIX – CONTINUED

| Observation                   | 3. Travel Advances – continued   |
|-------------------------------|--|
| <b>Recommendation</b>         | <p>Travel advances should be minimized to an exception-based need (i.e. no PCard, expense reimbursement disproportionate to employee's pay) given the level of effort required by department and Accounts Payable, potential for manual error, IRS implications, and current financial technologies.</p> <p>If travel advances continue to be utilized:</p> <ul style="list-style-type: none"><li>• Establish a minimum threshold, or judgmental guideline, for retrieval or write-off of excess reimbursements within an internal policy.</li><li>• Establish a minimum expense amount that qualifies for travel advances (ex. \$200), but allow exceptions as necessary.</li><li>• Notify employees of the other options for expense processing, PCard or non-advanced expense reimbursements, including the advantages to each. It is important for employees to understand that expenses incurred on personal credit cards would be reimbursed prior to payment due on that credit card if expense reports are submitted in a timely manner.</li><li>• Accounts Payable should collaborate with the Department of Information Technology ("DoIT") and the Finance Department's Functional Systems Division, responsible for Ascend, to enable a system generated aging report for travel advances. Accounts Payable should be able to generate a report which depicts the number of days each travel advance has been outstanding.</li></ul> |
| <b>Management Action Plan</b> | <p><b>Response:</b> Management concurs with the observation. The Finance Department's Payroll &amp; Disbursement Division is currently reviewing alternatives to travel advances and exploring utilizing the County's financial management system, Ascend, for processing travel authorizations. Collaboration with DoIT will also be required to automate the travel authorization process. In the interim, Payroll &amp; Disbursements will work with DoIT to obtain a regular report on outstanding travel advances and incorporate write-off procedures into the Travel Policies and Procedures.</p> <p><b>Responsible Party:</b> Payroll &amp; Disbursement Division, Disbursement Manage</p> <p><b>Estimated Completion Date:</b> Policy modification to occur No later than July 1, 2020. System related changes, if feasible, would occur in FY 2021, dependent on cost-benefit analyses.</p>  |



## OBSERVATIONS MATRIX – CONTINUED

|                               |   |
|-------------------------------|---|
| <b>Observation</b>            | <b>4. Expense Reimbursement On-going Monitoring</b>   |
| <b>Low</b>                    | There is no process in place for on-going program level monitoring of employee expense reimbursements.  |
|                               | Program level monitoring through on-going data analytics provides additional transparency into expense oversight and decision making and decreases the risk of prohibited, erroneous or fraudulent charges.   |
| <b>Recommendation</b>         | <p>We recommended that the County implement an automated expense reimbursement monitoring program through data analytics. Potential benefits could include: greater capacity to implement policy and compliance with policy; optimize travel costs; dashboard and trends relating to expenses and policy; and identify potential red flags.</p> <p>For illustrative purposes, some example monitoring elements may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Period-over-period spend;</li> <li>• Project specific, vendor specific and region-specific insight;</li> <li>• Alerts for jump in reimbursement spend;</li> <li>• Top expense type;</li> <li>• Top department / division spend;</li> <li>• Duplicate entries (i.e., prior submission);</li> <li>• Outlier entries (i.e., lavish spender);</li> <li>• Individuals / departments consistently under receipt thresholds;</li> <li>• Number of reimbursements and advances given out during a defined time period;</li> <li>• Individuals / departments consistently exceeding expense guidelines; and</li> <li>• Other customizable figures.</li> </ul> |
| <b>Management Action Plan</b> | <p><b>Response:</b> Management concurs with the observation. However, the Finance Department currently does not have a data analytics tool to monitor expense reimbursement. The Finance Department’s Payroll &amp; Disbursement Division is open to exploring data analytic software tools with DoIT. However, a solution is likely to require funding and would need to be prioritized against other competing technology needs.</p> <p><b>Responsible Party:</b> Payroll &amp; Disbursement Division, Disbursement Manager</p> <p><b>Estimated Completion Date:</b> TBD based on information obtained during exploration phase.</p>  |



## OBSERVATIONS MATRIX – CONTINUED

| Observation            | 5. Tuition Reimbursements  |
|------------------------|--|
| Low                    | <p>Until July 1, 2019, tuition reimbursements were covered within the <i>County Personnel Policy</i>. During FY 2019, the County provided over \$129,000 to ~68 employees for tuition reimbursements. As of July 1, 2019 the personnel policy was amended to remove tuition reimbursements as a County-wide benefit. Tuition reimbursements may be provided to employees at the discretion of each department. Tuition reimbursements are applied to each respective department's budget.</p> <p>Departments that choose to provide tuition reimbursements are not required to have standard procedures in place. Between July 1, 2019 and October 1, 2019, forty (40) tuition reimbursements have been provided, within two (2) departments, amounting to ~\$47,000. Both departments have proactively created a policy for tuition reimbursements although not required.</p> <p>Documented tuition reimbursement procedures for each department reduces the risk of misappropriation of funds. Documented procedures enable effective review by the corresponding department and the Accounts Payable.</p> |
| Recommendation         | We recommend Departments that plan to provide tuition reimbursements to staff, develop and document the related uniform procedures and distribute to department staff and Accounts Payable.  |
| Management Action Plan | <p><b>Response:</b> Management concurs with the observation. The Finance Department's Payroll &amp; Disbursement Division will work with all County departments/agencies to obtain documented procedures from any department/agency that reimburses an employee(s) for tuition.</p> <p><b>Responsible Party:</b> : Payroll &amp; Disbursement Division, Disbursement Manager</p> <p><b>Estimated Completion Date:</b> No later than July 1, 2020</p>   |



## PROCESS IMPROVEMENT OPPORTUNITIES

### 1. Expanded Use of PCards

The County has progressively increased PCard use over the past 5 years and should continue to do so with a goal of minimizing expense reimbursements and travel advances. Program monitoring (see observation #4) should be utilized to identify additional ways to reduce expense reimbursements. An effective PCard program reduces the risk of prohibited transactions through built-in controls, maximizes rebates, provides valuable spend data, and reduces employee workload.

As part of our review we identified the following:

- 2,713 expense reimbursements (~32%), amounting to ~\$332,500, could possibly have been paid utilizing a PCard which would have amounted to an additional PCard rebate of ~6,650. *Note: Full population data analytics were performed to identify the potential PCard eligible expenses. The determination that they could have been purchased by PCard was based on the data available in Ascend, not a detailed review of support.*
- The use of expense reimbursements requires Accounts Payables' time and resources to review each expense reimbursement. This review does not occur for expenses paid for via PCards due to the automated process and controls in place. Based on timed observation of a sample, each expense reimbursement report requires an average of ~2 minutes to review and reconcile. The ~2,713 expenses identified as PCard eligible were a part of 1,842 submitted expense reports. Therefore ~3,684 minutes were potentially spent by Accounts Payable staff to process PCard eligible expenses.
- Forty (40) County employees utilized expense reimbursements ten (10) times or more for expenses that could have been purchased with a PCard:

| Employees with Greater Than | Count |
|-----------------------------|-------|
| 10 reimbursements           | 40    |
| 15 reimbursements           | 26    |
| 20 reimbursements           | 14    |
| 25 reimbursements           | 6     |

- Travel advances are provided, upon employee request, prior to processing typical expense reimbursements. This additional step requires time and resources in addition to a typical expense reimbursement. *See observation #3.* PCards could be utilized to reduce the use of travel advances.

Additional guidance should be included within expense reimbursement policies stating when employees should utilize a PCard vs. expense reimbursements. *See observation #2.*



## PROCESS IMPROVEMENT OPPORTUNITIES – CONTINUED

### 2. Travel Authorization Forms

The County requires employees to complete a manual form for prior authorization of all overnight travel. This is a multi-tab excel spreadsheet which captures trip information including anticipated expenses such as per diem rates, airfare, lodging, etc. The pre-authorization form must be signed by the employee and the approver. If a cash advance is requested by the employee, the pre-authorization form is sent to Accounts Payable who reviews the support and uses the information to submit entries and disburse funds to the employee through ACH or check.

While there is a system-based work flow for expense reimbursements, there is no system-based work flow for pre-authorization forms. Since the process is manual there are inefficiencies and a greater chance of error. For instance, while two signatures are required for each form, only one electronic signature can be applied due to system limitations. Therefore, typically the department approver must print out the signature page, sign, and scan the form back into an electronic version. Additionally, when travel advances are requested, Accounts Payable staff must manually enter anticipated expense and the related accounting code information.

A system-based work flow tool, ideally in conjunction with Ascend, would streamline the submission, approval, and processing of travel pre-authorizations. Thus, saving the requesting employee, approver, and Accounts Payable staff time and resources, as well as reduce the chance for manual error.

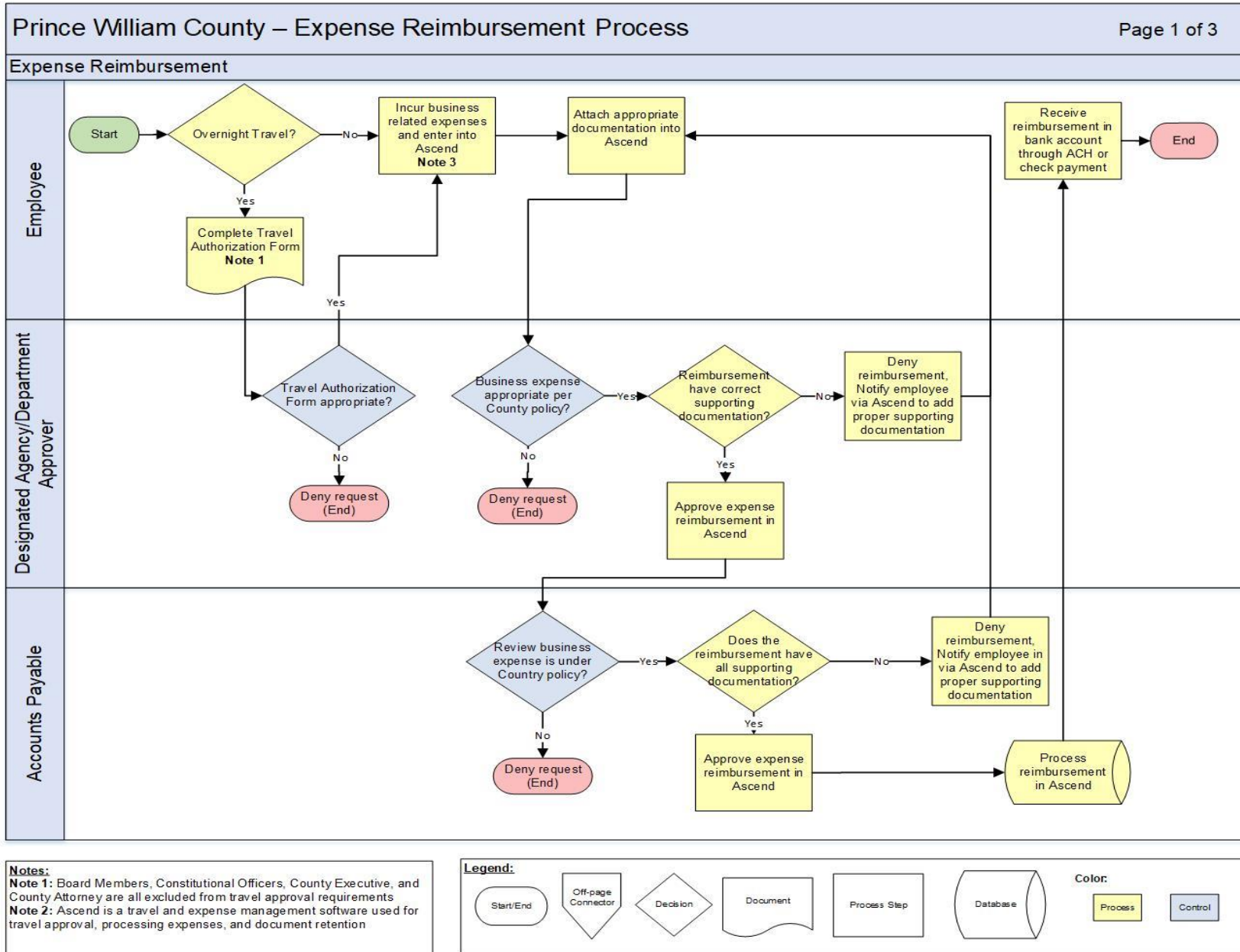
### 3. Use of Travel Management Company

The County currently allows employees to book airfare, lodging and rental cars, as needed, for approved work-related travel expense reimbursements themselves. Omega is a travel management company utilized by the County to book airfare using a PCard on file. The County should consider expanding utilization of the travel management company to include all facets of travel. Benefits to utilizing a travel management company, include:

- Cost savings through leverage of large travel network;
- Better rates through the use of specific pricing guidelines. Opposed to employees selecting travel arrangements based on convenience rather than price. If employee must book travel that is out of the compliance, set within the travel system, they would be prompted to provide reason from a drop-down (schedule, length of flight, etc.);
- Frequent flyer program benefits;
- Ability to utilize one card on file for all travel to maximize reimbursements and monitoring;
- Time savings by facilitating employees book travel efficiently and according to policy; and
- Additional support.

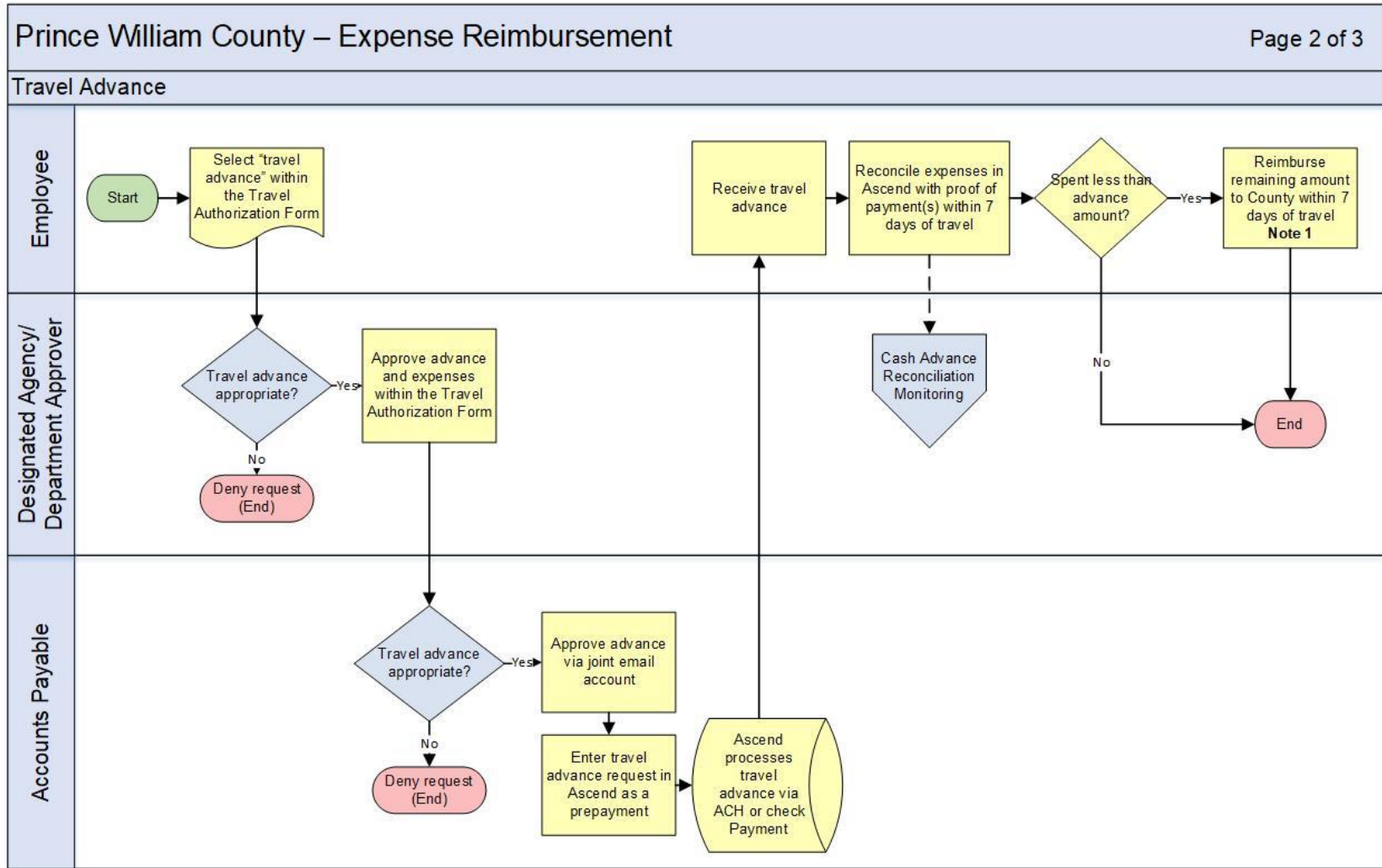


## PROCESS MAP(S)

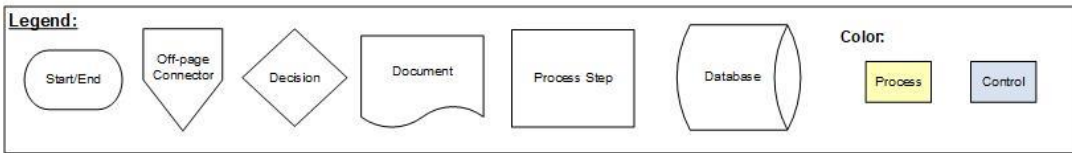




## PROCESS MAP(S) – CONTINUED

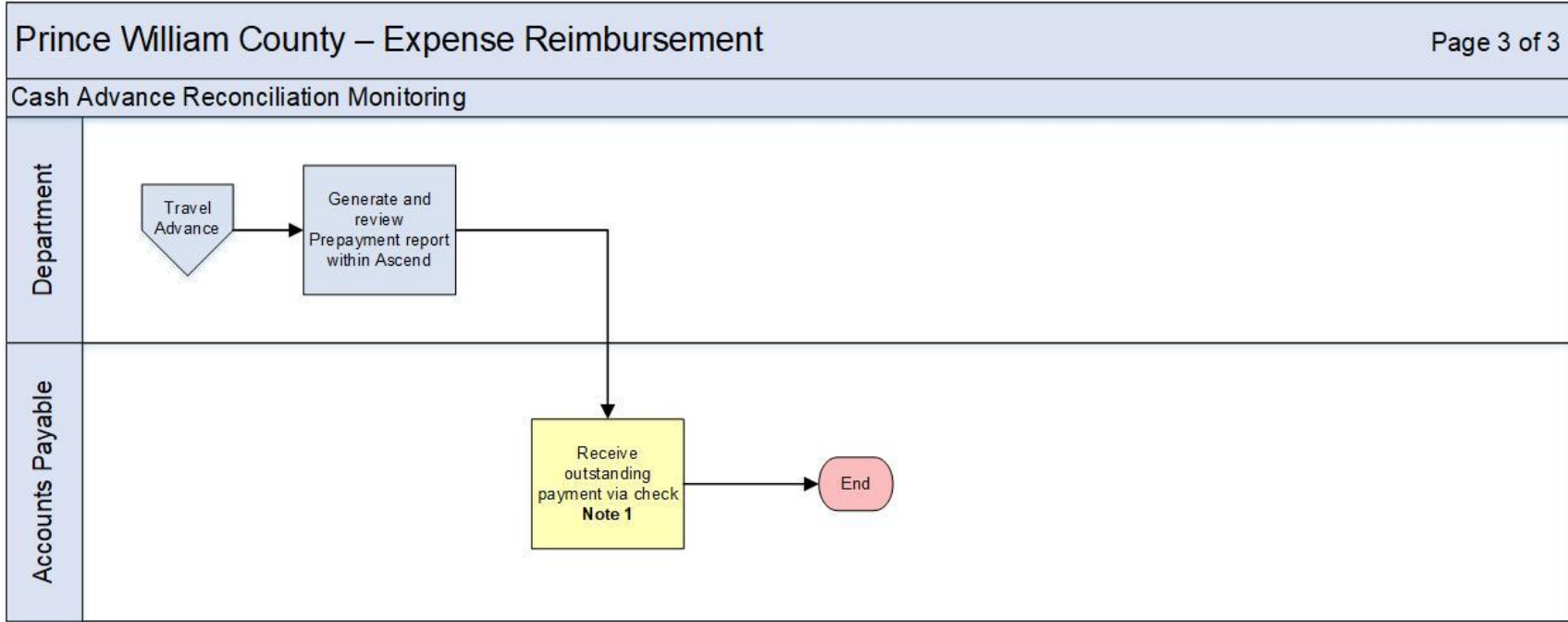


**Notes:**  
 Note 1: Reimbursement check will be made to the Director of Finance





## PROCESS MAP(S) – CONTINUED




Notes:  
**Note 1:** Reimbursement check will be made to the Director of Finance

**Legend:**

Color: Process Control





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