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**TRAINING AND RELATED TRAVEL EXPENSES  
PERFORMANCE AUDIT**

**MAY 2013**



**CITY OF DURHAM**  
AUDIT SERVICES DEPARTMENT

*“Provides independent, objective  
assurance and investigative services”*

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**CITY OF DURHAM**

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**To:** Audit Services Oversight Committee

**From:** Germaine Brewington, Director

Audit Services Department

**Date:** May 31, 2013

**Re:** Training and Related Travel Expenses  
Performance Audit (May 2013)

The Department of Audit Services completed the report on the Training and Related Travel Expenses Performance Audit dated May 2013. The purpose of the audit was to ensure compliance with travel policy FP 201 and to review travel expenses for fraud, waste and/or abuse.

This report presents the observations, results, and recommendations of the Training and Related Travel Expenses Performance Audit dated May 2013. City management is in full agreement with the recommendation made. Management's response to the recommendation is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from employees City-wide, particularly employees of the Finance Department, in the completion of this audit.

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## BACKGROUND INFORMATION

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It is the City of Durham's policy to pay directly or to reimburse employees for reasonable expenses incurred when traveling for official City business. City business includes meetings, conferences, workshops, seminars, etc. The travel may be local, in-state, out of state, foreign; the travel could also be daily or overnight trips. City of Durham Finance Policy (FP) 201: "Travel Authorization and Expense Reimbursement" effective May 18, 2012 defines the City's travel policy. According to policy, the Finance Department is responsible for the management and oversight of this policy. Department heads are responsible for managing, approving, and reviewing budget appropriations to support travel activities for their departments. Per FP 201, the reimbursable expenses for travel are as follows:

### *Non- Overnight Travel:*

- Meals-Meals are reimbursed at actual cost, employees can receive a maximum of \$15 per day
- Mileage-Personal vehicle mileage is reimbursed at the per mile rate determined by the Internal Revenue Service (IRS)
- Parking-Actual expense is reimbursed (receipts required)
- Other business related expenses (registration, admission fees, etc.)-Actual expense will be reimbursed (receipts required).

### *Overnight Travel:*

- Meals and Incidentals – The per diem rate as defined by the IRS High-Low Substantiation Method is used as the basis for reimbursements. One-fourth (1/4) of the per diem rate is deducted for each meal provided as part of the event. Actual meal expense will not be reimbursed unless this method of reimbursement is approved in advance by the City Manager/Designee
- Lodging-Employees must use the least expensive actual lodging rate for minimum nights required to attend a function
- Transportation-Employees must use the most direct route; and the lowest rate available
- Other Business Related Expenses (registration fees, admission costs, taxi, etc.)-Actual expense is reimbursed (receipts are required).

## BACKGROUND INFORMATION

In addition to FP 201, the “Mayor and Council Members Travel and Miscellaneous Expense Policy” establishes procedures relating to travel and reimbursement of expenses for the Mayor and Council Members.

For the fiscal year ended June 30, 2012, the City incurred approximately \$ 645,000 of training and related travel expenses. As of the month of May, 2013, the City incurred approximately \$731,000 in training and related travel expenses. These expenses included City as well as grant funded training and related travel expenses. Table 1 includes **only** City funds expended on training and related travel. Grant funds used for training and related travel expenses are not included in Table 1 or Figures 1-4 information. Figures 1-4 reflect data for FY 2011, FY 2012 and FY 2013 (through May 31, 2013).

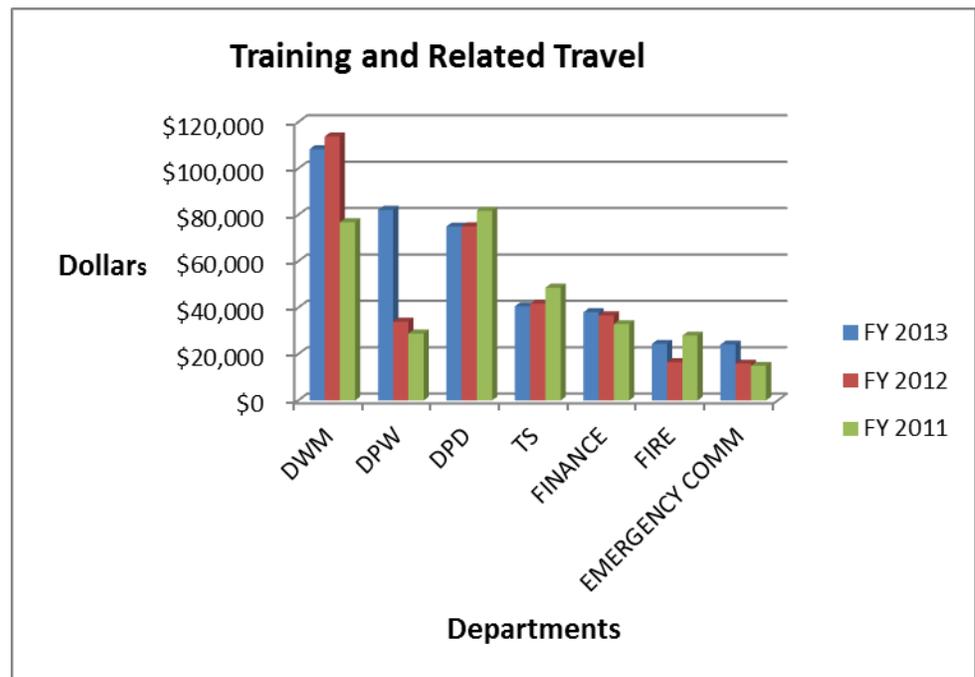


Figure 1. DWM=Department of Water Management, DPW=Department of Public Works, DPD=Durham Police Department, TS=Technology Solutions Department

## BACKGROUND INFORMATION

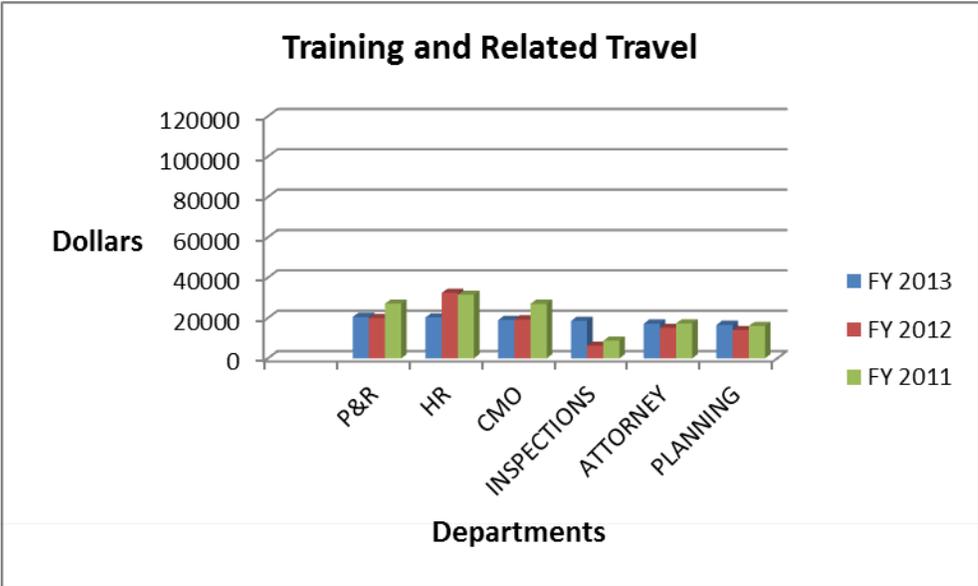


Figure 2. P&R=Parks and Recreation Department, HR=Human Resources Department, CMO=City Manager’s Office

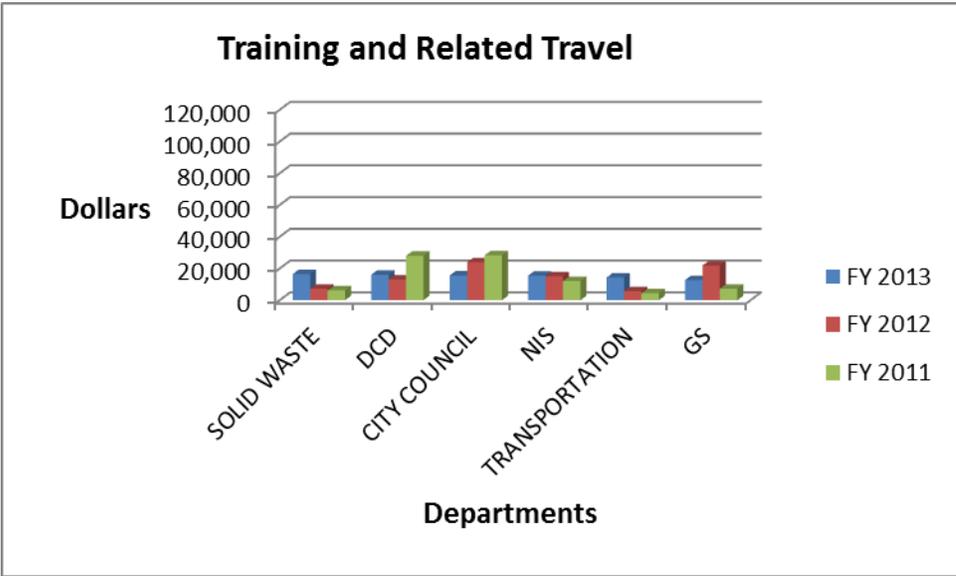


Figure 3. DCD=Department of Community Development, NIS=Neighborhood Improvement Services Department, GS=General Services Department

**BACKGROUND INFORMATION**

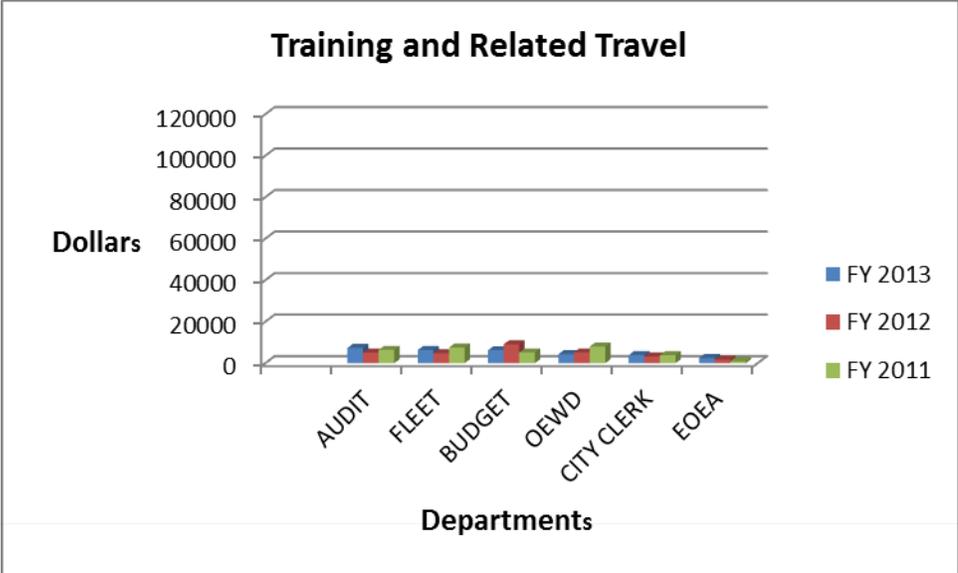


Figure 4. OEWD=Office of Economic and Workforce Development, EOEa=Equal Opportunity and Equity Assurance Department

## BACKGROUND INFORMATION

Table 1: Training and Related Travel Expenses for FY 2011, FY 2012, and FY 2013 (as of May 31, 2013).

Department	FY 2013	FY 2012	FY 2011
DWM	\$108,333	\$113,839	\$76,867
DPW	82,231	34,005	28,900
DPD	75,041	75,066	81,790
TS	40,631	41,766	48,667
FINANCE	38,081	36,710	32,959
FIRE	24,432	16,529	27,991
EMERGENCY COMM	24,112	15,938	14,945
P&R	20,534	19,972	27,117
HUMAN RESOURCES*	20,278	32,397	31,449
CMO	18,974	19,266	27,011
INSPECTIONS**	18,519	6,302	8,770
CITY ATTORNEY	17,219	15,069	17,309
PLANNING	16,585	13,970	16,030
SOLID WASTE	16,491	7,281	6,162
DCD	16,084	13,104	27,994
CITY COUNCIL	15,567	23,888	28,320
NIS	15,517	15,063	12,097
TRANSPORTATION	14,277	5,700	4,349
GS	12,709	21,830	7,269
AUDIT	7,327	5,118	6,384
FLEET	6,305	4,739	7,499
BUDGET	6,229	9,087	5,138
OEWD	4,318	5,152	7,984
CITY CLERK	3,901	3,179	3,818
EOEA	2,466	1,706	914
<b>TOTAL</b>	<b>\$626,158.19</b>	<b>\$556,676.74</b>	<b>\$557,732.05</b>

Note: Travel and training related travel expenses are from object codes 724100 and 724000 per MUNIS. These expenses only include City funds spent on training and related travel. Grant funds used for travel and training are not included in the above information.

\*Expenses for HR include training and related travel for the City-wide Training Pool. The Training Pool expenses equal approximately \$11K for FY 2013.

\*\*These expenses includes approximately \$5K for technology equipment for FY 2013.

## EXECUTIVE SUMMARY

### Purpose

The purpose of the audit was to ensure compliance with travel policy FP 201 and to review travel expenses for fraud, waste and/or abuse.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and 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.

### Results in Brief

Overall, the audit did not reveal any fraud waste or abuse of travel and training related travel funds. All of the transactions appeared to be for legitimate City business. Audit staff tested approximately 895 transactions amounting to approximately \$187,258. The results of the tests are as follows:

- 100% of the transactions tested did not reveal any fraud, waste or abuse activity
- 97% of the transactions tested were properly approved
- 99% of the transactions tested had adequate supporting documentation
- 99% of the transactions tested were calculated correctly
- 98% of the transactions tested were coded correctly

The Finance Department staff efficiently process travel advances and reimbursements. They were also forthcoming with information requested during the course of the audit. Audit staff noted a high level of customer service and professionalism from the staff during the audit.

## OBJECTIVES, SCOPE AND METHODOLOGY

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### Objectives

The objectives of the audit were as follows:

- To determine compliance with the Travel Authorization and Expense Reimbursement Policy FP 201, and
- To review travel and training related to travel expenses for abuse, waste or fraud.

### Scope

The scope of the audit included all travel and training related expenses incurred from July 1, 2012 to May 31, 2013.

### Methodology

Audit staff performed the following procedures in order to achieve the objectives of the audit:

- 1 Obtained and reviewed Policy FP 201;
- 2 Obtained and reviewed the Travel and Miscellaneous Expense Policy for Mayor and Council Members;
- 3 Obtained and reviewed travel expenses from the general ledger for FY 2010, 2011, 2012 and FY 2013 to date ( totals by departments) ( Object Codes 724000, 724100);
- 4 Analyzed the above information to determine trends in travel expenses;
- 5 Selected a sample of expenses and performed the following tests:
  - Verified the accuracy of travel advance/reimbursement calculations
  - Verified the adequacy of the supporting documentation
  - Verified proper approval of travel expenses was present
  - Reviewed the transactions for unusual activity to identify fraud, waste and abuse (e.g., were employees staying beyond the conference time, were there unsupported reimbursement claims, was there travel which appeared personal in nature); and
- 6 Interviewed employees in charge of processing travel expenses.

During the audit, staff also maintained awareness to the potential existence of fraud.

## AUDIT RESULTS

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Overall, the audit did not reveal any fraud waste or abuse of travel and training related travel funds. All of the transactions appeared to be for legitimate City business. Audit staff tested 895 transactions amounting to approximately \$187,258. The results of our tests are as follows:

- 100% of the transactions tested did not reveal any fraud, waste or abuse activity
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- 99% of the transactions tested were calculated correctly
- 98% of the transactions tested were coded correctly

Other issues noted during fieldwork are as follows:

### **Policy related issue**

Four departments at the City pay for their advisory board members' travel with grant funds. These departments are currently using guidance provided in either policy FP 201 or the "Mayor and Council Members Travel and Miscellaneous Expense policy" to reimburse travel expenses. FP 201 addresses procedures for City employees whereas the other policy specifically addresses procedures for the Mayor and Council Members' travel. Neither policy addresses travel guidelines for board member travel.

### **Use of a travel agency to book flights for City business related travel**

Audit staff found instances where six departments (Mayor's Office/City Council, The Office of Economic and Workforce Development, City Clerk's Office, The Department of Budget and Management Services, the Fire Department and Police Department) utilized the services of travel agencies to make travel reservations. On average, the cost of using these services was \$35.00 per transaction. Even though FP 201 does not specifically prohibit this practice, according to Finance Department personnel, departments should not use services of travel agencies given that there is a cost associated with the service provided.

### **Control deficiency not significant to the objectives of this audit**

Audit staff noted a control deficiency not significant to the objectives of this audit, which warrants the attention of management. The deficiency related to payments made to trainers hired to teach at the City of Durham's Fire Department Academy. A memo describing the deficiency and providing recommendations was provided to the Fire Chief.

## RECOMMENDATION

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### Recommendation 1

The Finance Department personnel should revise Policy FP 201 to include guidance on the following:

- Use of a travel agency for making travel arrangements; and
- Travel for committees/board members on City business.

## MANAGEMENT'S RESPONSE



CITY OF  
DURHAM

Memo to: Germaine F. Brewington, Director of Audit Services  
From: David Boyd, Finance Director  
Date: May 28, 2013  
Subject: Management's Response  
Training and Related Travel Expenses  
Performance Audit (May 2013)

The following is the management's response to the Training and Related Travel Expenses Performance Audit dated May, 2013.

**Recommendation 1:**

The Finance Department personnel should revise Policy FP 201 to include guidance on the following:

- Use of a travel agency for making travel arrangements; and
- Travel for committees/board members on City business.

**Management's Response:**

We concur. Management is in full agreement with the recommendation.

The Finance Department will revise Policy FP 201 and include in the revision the recommended changes related to travel agencies and travel by committees and board members.

**Implementation Date:** August 31, 2013