



## **INTERNAL AUDIT DEPARTMENT**

### **Audits of Employee and CEO Expense Statements and Advances**

**June 2016  
Performance Audits  
Projects P1502 & P1503**



TABLE OF CONTENTS

EXECUTIVE SUMMARY..... ii

INTRODUCTION ..... 1

OBJECTIVES, SCOPE AND METHODOLOGY..... 1

STATEMENT OF OPINION..... 3

    SUMMARY OF AUDIT RESULTS, OBSERVATIONS AND RECOMMENDATIONS..... 3

    STRENGTHS NOTED DURING THE AUDIT ..... 3

    OBSERVATION 1 – UNSUPPORTED OR NON-BUSINESS RELATED EXPENSES (THESE EXPENSES HAVE BEEN REIMBURSED TO PAAC) ..... 3

    OBSERVATION 2 – USE OF THE LEAST EXPENSIVE FORM OF TRANSPORTATION WAS NOT DOCUMENTED WHEN EMPLOYEES TRAVELED BY VEHICLE..... 6

    OBSERVATION 3 – MEAL PER DIEMS NOT REDUCED WHEN MEALS WERE PROVIDED DURING THE COURSE OF TRAVEL AND MEAL PER DIEM DIFFERENCES ..... 9

    OBSERVATION 4 – SOME PRE-AUTHORIZATIONS AND APPROVALS NOT OBTAINED AND MISSING INFORMATION..... 11

    OBSERVATION 5 – TIMELINESS OF OBTAINING ADVANCES, RECEIVING EXPENSE STATEMENTS, RETURNING UNUSED ADVANCE AMOUNTS DUE PAAC, AND DEPOSIT OF FUNDS..... 15

    OBSERVATION 6 – TRAVEL RESERVATIONS WERE INDEPENDENTLY MADE BY EMPLOYEES ..... 18

    ADVISORY COMMENT 1 – EMPLOYEE EXPENSE STATEMENT FORMS ..... 20

    ADVISORY COMMENT 2 – HOTEL LODGING RATES IN EXCESS OF THE RATES PER GSA WEBSITE..... 21

    ADVISORY COMMENT 3 - HOTEL OCCUPANCY TAX PAID ..... 22

    ADVISORY COMMENT 4 - LIMITS OF AUTHORITY MATRIX AND AUTHORIZATION FORMS..... 22

    ADVISORY COMMENT 5 - NOTIFICATION OF OUT-OF-STATE VEHICLE USAGE WAS NOT PROVIDED TO INSURANCE ADMINISTRATOR..... 23

ACKNOWLEDGEMENTS..... 23

ATTACHMENT A – BUSINESS PROCESS..... 24

ATTACHMENT B – PROPOSED REQUEST FOR TRAVEL AUTHORIZATION FORM ..... 25

ATTACHMENT C – PROPOSED EMPLOYEE EXPENSE STATEMENT ..... 27

ATTACHMENT D – EXAMPLE OF EMPLOYEE EXPENSE STATEMENT ..... 28



**EXECUTIVE SUMMARY**  
**AUDITS OF EMPLOYEE AND CEO EXPENSE STATEMENTS AND ADVANCES**

**INTRODUCTION**

As planned in the Internal Audit Work Plan, members of Port Authority of Allegheny County's (PAAC's) Internal Audit Department conducted audits of employee and the Chief Executive Officer (CEO) expense statements and employee advances. Port Authority (PAAC) reimburses employees for all necessary and reasonable expenses incurred in performing job-related activities. The scope of the audit of employee expense statements and advances was January 1, 2013 through September 30, 2014 and the scope of the audit of CEO expense statements was February 1, 2013 through September 30, 2014. PAAC spent a relatively small amount on business related travel/employee expense reimbursements, only \$117,635 or approximately .02% of total expenses in PAAC's operating budget for the 21 month period reviewed.

**OBJECTIVES AND STATEMENT OF OPINION**

The objectives of these audits were to:

- 1) Review employee and CEO expense statements and advances to determine compliance with PAAC's Travel and Expense Reimbursement Policy and, in general, the federal guidelines of the U. S. General Services Administration (GSA), and
- 2) Evaluate the adequacy of internal controls and effectiveness of the current employee and CEO expense statement process.

In our opinion, the employee and CEO expense statements and advances, in general, complied with PAAC's Travel and Expense Reimbursement Policy and with federal GSA guidelines and the internal controls and effectiveness of the current employee and CEO expense statement process are generally adequate. Opportunities to improve compliance with PAAC's Travel and Expense Reimbursement Policy and to improve the current employee and CEO expense statement process and internal controls over this process are summarized in the observations and recommendations below and others are included in the full report.

**SUMMARY OF AUDIT RESULTS, OBSERVATIONS AND RECOMMENDATIONS**

**STRENGTHS NOTED DURING THE AUDIT**

The following strengths were noted during the audits of employee and CEO expense statements and advances:

- 1) In general, CEO and employee expense statements were timely submitted for reimbursement, accurately calculated, supported by original receipts, and were for reasonable, business related expenditures.
- 2) Pre-authorization for out-of-town travel was generally obtained in accordance with the requirements as outlined in PAAC's Travel and Expense Reimbursement Policy.
- 3) In general, requests for advances were timely submitted and properly approved, the amount of the advance requested appeared reasonable and the unused portion of the advance was timely returned to PAAC.
- 4) The requirements for employee expense statements, advances and travel are established and documented in PAAC's Travel and Expense Reimbursement Policy and the Airline Reservations Procedures which are maintained on ePort. In addition, a link is included on ePort and employees have access to and can view GSA federal per diem rates.

## **OBSERVATION 1 – UNSUPPORTED OR NON-BUSINESS RELATED EXPENSES (THESE EXPENSES HAVE BEEN REIMBURSED TO PAAC)**

For 46 of the 49 employee expense statements tested in excess of \$1,000, the expenses reimbursed appeared to be reasonable and business related. The remaining three expense statements include expenses that totaled \$907.11, \$141.11 and \$138.00 that were unsupported or non-business related and as a result of this audit, the employees have reimbursed these amounts to PAAC.

### **AUDIT RECOMMENDATION 1 AND MANAGEMENT RESPONSE**

- 1) We recommend that:
  - a) a note should be added to the expense statement stating that employees are responsible for payment of any non-business related expenses,
  - b) a line (for the employee to include the dates of training) should be added to the Request for Travel Authorization form, and
  - c) the language included at the top of the Request for Travel Authorization form should be deleted because it may create confusion related to employees documenting the financial advantage to PAAC.

Management concurs and the recommended changes to the forms have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendations will be implemented by September 2016.

- 2) All expense statement charges, as required by PAAC's Travel and Expense Reimbursement Policy, should be supported by original receipts and should be based on actual business related expenditures. Management responded that, in general, employees are not reimbursed for expenses without proper support and the proper form is used for obtaining an advance.

## **OBSERVATION 2 – USE OF THE LEAST EXPENSIVE FORM OF TRANSPORTATION WAS NOT DOCUMENTED WHEN EMPLOYEES TRAVELED BY VEHICLE**

For 13 of the 49 employee expense statements tested in excess of \$1,000, and 3 of the 5 CEO expense statements tested, employees used either a company vehicle or their personal vehicle for travel and we noted the following:

- 1) The use of the least expensive form of transportation was not documented when employees traveled by vehicle because the Cost Analysis: Airfare vs. Auto Usage section on the reverse side of the Request for Cash/Travel Advance form was not completed as required by PAAC's Travel and Expense Reimbursement Policy. Employees and the CEO were not aware of the need to complete the information on this section of the form because it is currently on the Request for Cash/Travel Advance form and it is also located on a separate tab of this form. Therefore; if an employee was not requesting a cash/travel advance they would not be aware of the need to complete the Cost Analysis: Airfare vs. Auto Usage information.
- 2) Although the Cost Analysis: Airfare vs. Auto Usage section on the reverse side of the Request for Cash/Travel Advance form requires that the employee document whether a PAAC pool car was available before using a personal vehicle, PAAC's Travel and Expense Reimbursement Policy does not specify that before an employee uses a personal vehicle for out-of-town travel, the employee must document whether a pool car or Zip Car was available on the Cost Analysis: Airfare vs. Auto Usage section of the form.
- 3) The Cost Analysis: Airfare vs. Auto Usage section of the Request for Cash/Travel Advance form on ePort shows an outdated mileage rate of .405 per mile.

The GSA states that privately owned vehicle (POV) mileage reimbursement rates effective January 1, 2016 are .54 cents per mile (the current standard GSA rate) if the use of a privately owned vehicle is authorized or if no Government-furnished automobile is available and .19 cents per mile (the lowest GSA rate) if a Government-furnished vehicle is available. In addition, PAAC's Travel and Expense Reimbursement Policy states before any approval for auto usage is considered, the employee must document a Cost Analysis of Airfare vs. Auto Usage on Form No. 43-0048-D. If a cost analysis is not completed that compares the cost of flying to the cost of driving, there is a risk that the least expensive form of transportation may not be used when employees travel by vehicle. In addition, if employees are not documenting the availability of a pool car or Zip Car, PAAC may reimburse employees incorrectly for mileage.

## **AUDIT RECOMMENDATION 2 AND MANAGEMENT RESPONSE**

- 1) To help ensure that employees document the use of the least expensive form of transportation when traveling by any method other than flying and also that this information is obtained regardless of whether the employee traveling obtains an advance, the reverse side of the Request for Travel Authorization form should be amended to include the cost analysis information and should be completed before traveling to an out-of-town business destination.

The cost analysis information should be amended to include the following:

- a) A checkbox to indicate whether a PAAC pool car or Zip Car was available for the planned dates of travel. (The current form includes a checkbox for the PAAC pool car only.)
- b) A footnote stating "If a PAAC pool car or a Zip Car is available and, absent written justification approved by your director, you choose to travel using your own personal vehicle, you will be reimbursed at the lowest GSA mileage rate. If adequate written justification is obtained from you and approved by your director, you will be reimbursed at the standard GSA mileage rate."
- c) Lines for the employee to include the written justification for using their personal vehicle when a pool car or Zip Car is available.

Management concurs and the recommended changes to the forms have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendations will be implemented by September 2016.

- 2) PAAC's Travel and Expense Reimbursement Policy should be amended to specify that before an employee uses a personal vehicle for out-of-town travel, the employee must document whether a pool car or Zip Car was available on the cost analysis section of the form. Management concurs and subject to Board review and authorization agreed that the recommendation will be implemented by September 2016.
- 3) The cost analysis section of the form on ePort should be amended to instruct employees to use the appropriate federal mileage rate for comparing the cost of flying to the cost of driving and should include a link to the appropriate federal mileage rate. In addition, employees should be advised they will be reimbursed for the least expensive form of travel unless written justification is approved by their director. Management concurs and the recommended changes to the forms have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendations will be implemented by September 2016.

**OBSERVATION 3 – MEAL PER DIEMS NOT REDUCED WHEN MEALS WERE PROVIDED DURING THE COURSE OF TRAVEL AND MEAL PER DIEM DIFFERENCES**

- 1) PAAC's Travel and Expense Reimbursement Policy does not address the issue as to whether the per diem amount should be reduced when meals are provided to employees during the course of travel and, if so, how the per diem should be reduced.
  - a) We noted that 13 of the 49 employee expense statements tested included meal(s) as part of conferences and seminars and in 12 of these 13 instances, the per diem amounts on the expense statements were not reduced when meals were provided. One employee reduced the per diem amount for meals that were included as part of the conference attended.

We also noted the following related to per diem for the 49 expense statements tested:

- Two employees requested/were reimbursed incorrect per diem rates that were less than the established federal standards. The employees were advised of the correct per diem rates, and one of these employees requested and received the difference due.
- Five employees requested partial day per diem amounts that were not based on PAAC's Travel and Expense Reimbursement Policy (the differences were nominal).

**AUDIT RECOMMENDATION 3 AND MANAGEMENT RESPONSE**

- 1) PAAC's Travel and Expense Reimbursement Policy should be amended to include a requirement that employees reduce per diem amounts (other than for meals classified as a continental breakfast) by a specified percentage or an amount determined by PAAC management or provide justification why the full per diem should be reimbursed when meals are provided during the course of travel. Management concurs and subject to Board review and authorization agreed that the policy will be amended by September 2016 to require employees to reduce per diem amounts for meals provided during the course of travel (other than meals classified as a continental breakfast) by deducting 22% for breakfast, 22% for lunch and 56% for dinners (of the applicable per diem rate) or provide justification why the full per diem rate should be reimbursed.

In addition, a reminder note should be added to the amended Request for Travel Authorization form and to the Employee Expense Statement form that employees must reduce per diem amounts for meals provided during the course of travel or justify why the full per diem should be reimbursed (i.e. medical requirements or religious reasons). Management concurs and the recommended changes to the forms have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendations will be implemented by September 2016.

Other recommendations related to compliance with established procedures were made in the full report including recommending that the Employee Expense Statement form and some travel related forms should be amended to include information to assist employees in complying with the procedures and properly completing the forms. In addition, we recommended that an example of a properly completed Employee Expense Statement form should be included as an attachment to the Travel and Expense Reimbursement Policy. Management concurs and subject to Board review and authorization agreed that the recommendations would be implemented by September 2016.



## **INTRODUCTION**

As planned in the Internal Audit Work Plan, members of Port Authority of Allegheny County's (PAAC's) Internal Audit Department conducted audits of employee and Chief Executive Officer (CEO) expense statements and employee advances processed by Finance Division personnel to determine if amounts reimbursed/advanced to employees and the CEO are for reasonable, business related expenses in accordance with PAAC's Travel and Expense Reimbursement Policy and, in general, the federal guidelines of the General Services Administration (GSA) and if expenses/advances are properly authorized and are supported by original receipts/documentation. PAAC spent a relatively small amount on business related travel/employee expense reimbursements, only \$117,635 or approximately .02% of total expenses in PAAC's operating budget for the 21 month period reviewed.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

The objectives of these audits were to:

- 1) Review employee and CEO expense statements and advances to determine compliance with PAAC's Travel and Expense Reimbursement Policy and, in general, the federal guidelines of the U. S. General Services Administration (GSA), and
- 2) Evaluate the adequacy of internal controls and effectiveness of the current employee and CEO expense statement process.

The scope of the audit of employee expense statements and advances was January 1, 2013 through September 30, 2014 and the scope of the audit of CEO expense statements was February 1, 2013 through September 30, 2014.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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.

- We tested all 5 CEO expense statements (the CEO received no advances during the audit period) and all 49 employee expense statements (in excess of \$1,000) processed during or after the audit period (provided an advance was obtained by the employee during the audit period). The 49 employee expense statements (which represented 48% of the total amount of the expense statements paid during the audit period) and the 5 CEO expense statements were tested to determine if:
  - a) the requirements of PAAC's Travel and Expense Reimbursement Policy were adhered to,
  - b) the expenses appeared business related, reasonable, and were supported with original receipts,
  - c) reimbursements for meals and mileage (when the CEO or the employee used their own personal vehicle) were calculated accurately and were within established federal standards,

- d) expense statements were accurately calculated and timely submitted to Finance Division personnel,
  - e) a cost analysis was completed (to document the use of the least expensive form of transportation) when the CEO or the employee traveled by vehicle rather than by air to the business destination,
  - f) hotel reimbursements were within the maximum lodging rates per the GSA,
  - g) the amount on the expense statement agreed with the amount paid to the CEO or the employee (after considering any advances received, if applicable),
  - h) expense statements were properly approved in accordance with PAAC's Travel and Expense Reimbursement Policy and the Limits of Authority,
  - i) expense statements were signed by the CEO or the employee, and
  - j) travel was pre-authorized in accordance with PAAC's Travel and Expense Reimbursement Policy.
- All advances processed during the audit period, regardless of amount, were tested to determine if:
    - a) the requirements of PAAC's Travel and Expense Reimbursement Policy were adhered to,
    - b) properly approved Request for Travel Authorization forms were completed before employees obtained travel advances,
    - c) advances were properly reconciled,
    - d) amounts due from employees were properly supported, timely returned to PAAC and timely deposited into PAAC's bank account, and
    - e) the Request for Cash/Travel Advance forms were submitted to Finance Division personnel at least two weeks before the date of travel and if they were properly approved.
- In addition, advances in excess of \$1,000 processed during the audit period were tested to determine if:
    - a) the business purpose for the travel (if applicable) and the amount of the advance appear reasonable, and
    - b) the Worksheet for the Estimated Travel Advance section on the Request for Cash/Travel Advance forms had been properly completed. This worksheet requires the employee to estimate related lodging, meals and other cost for their planned travel.
- All advances obtained for expenses related to the Take Your Child to Work Day Program in 2013 and 2014 or used as start-up funds to support PAAC's United Way Campaign events in 2013 were tested to determine if:
    - a) advances were properly documented and reconciled,
    - b) expenses incurred related to Take Your Child to Work Day Program in 2013 and 2014 were supported with original receipts, and
    - c) amounts due from employees were timely returned to PAAC and timely deposited into PAAC's bank account.

## **STATEMENT OF OPINION**

In our opinion, the employee and CEO expense statements and advances, in general, complied with PAAC's Travel and Expense Reimbursement Policy and with federal GSA guidelines and the internal controls and effectiveness of the current employee and CEO expense statement process are generally adequate. Opportunities to improve compliance with PAAC's Travel and Expense Reimbursement Policy and to improve the current employee and CEO expense statement process and internal controls over this process are summarized in the observations and recommendations below.

## **SUMMARY OF AUDIT RESULTS, OBSERVATIONS AND RECOMMENDATIONS**

### **STRENGTHS NOTED DURING THE AUDIT**

The following strengths were noted during the audits of employee and CEO expense statements and advances:

- 1) In general, CEO and employee expense statements were:
  - a) timely submitted for reimbursement,
  - b) accurately calculated,
  - c) supported by original receipts, and
  - d) for reasonable, business related expenditures.
- 2) Pre-authorization for out-of-town travel was generally obtained in accordance with the requirements as outlined in PAAC's Travel and Expense Reimbursement Policy.
- 3) In general, requests for advances were timely submitted and properly approved, the amount of the advance requested appeared reasonable and the unused portion of the advance was timely returned to PAAC.
- 4) The requirements for employee expense statements, advances and travel are established and documented in PAAC's Travel and Expense Reimbursement Policy and the Airline Reservations Procedures which are maintained on ePort. In addition, a link is included on ePort and employees have access to and can view GSA federal per diem rates.

For additional information related to PAAC's business process associated with employee expense statements and advances see Attachment A - Business Process.

### **OBSERVATION 1 – UNSUPPORTED OR NON-BUSINESS RELATED EXPENSES (THESE EXPENSES HAVE BEEN REIMBURSED TO PAAC)**

For 46 of the 49 employees' expense statements tested in excess of \$1,000, the expenses reimbursed appeared to be reasonable and business related. The remaining three expense statements include charges that were unsupported or non-business related (and as a result of this audit have been reimbursed to PAAC by the employees) as follows:

- 1) \$907.11 as the result of an employee incurring an additional 3 days of hotel, per diem and parking charges that were not business related. The dates of travel began on a Saturday and there was confusion about the following statement that appears on the top of the Request for Travel Authorization form:

"In order to take full advantage of low airfare rates, when possible, please allow at least 21 days for planning of your trip and give consideration to staying over a Saturday night when it is feasible and financially advantageous for the Authority."

The employee did not document a financial advantage to PAAC by staying over on a Saturday night. The Employee Development Request form for this employee shows training session dates of May 28, 2014 through May 31, 2014 and the Request for Travel Authorization form shows a date of departure of May 24, 2014 and a date of return of June 1, 2014.

- 2) \$141.11 as the result of the employee not being able to support the full amount of a Request for Voucher Check in the amount of \$1,097.45 that was paid to the employee in September 2014. The amount paid to the employee was based on the estimated costs for employee training expenses which started in January 2015 and ended in March 2015. Original receipts and copies of bank statements supporting actual business related expenses applicable to the \$1,097.45 advance were obtained from the employee during the audit totaling \$956.34 (\$141.11 less than the amount advanced to the employee).
- 3) \$138.00 (3 days per diem at \$46.00 per day) as the result of a reimbursement for 20 days of per diem rather than the actual total of 17 days. The employee stated that the reimbursement request was inadvertently based on the original planned dates for the trips.

Criteria:

PAAC's Travel and Expense Reimbursement Policy states the following:

- It is the policy of PAAC to reimburse employees for all necessary and reasonable expenses incurred performing job related activities and all expenditures must be supported by original receipts and there will be no reimbursement of expenses not supported by a receipt.
- Requests for advances are to be made on PAAC's Request for Cash/Travel Advance form.

Business Impact:

If employees are paid based on estimated charges, there is a risk that employees may be reimbursed an amount that exceeds the supported business related expenses.

If employee expenses are not business related, supported by receipts or if they are paid based on estimated expenses, there is a risk that employees may be reimbursed for non-business related charges or for costs that were not incurred.

### **AUDIT RECOMMENDATION 1**

1) We recommend that:

- a) a note should be added to the expense statement stating that employees are responsible for payment of any non-business related expenses,
- b) a line (for the employee to include the dates of training) should be added to the Request for Travel Authorization form, and
- c) the language included at the top of the Request for Travel Authorization form should be deleted because it may create confusion related to employees documenting the financial advantage to PAAC.

2) All expense statement charges, as required by PAAC's Travel and Expense Reimbursement Policy, should be supported by original receipts and should be based on actual business related expenditures.

If the employee needs a travel advance to attend an out-of-town business related function, the request should be submitted on a Request for Cash/Travel Advance form.

### **MANAGEMENT RESPONSE 1**

Management concurs with the audit recommendations and has stated the following:

- 1a) A note will be added to the expense statement stating that employees are responsible for payment of all non-business related expenses,

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 1b) A line (for the employee to include the dates of training) will be added to the Request for Travel Authorization form, and

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 1c) The language included at the top of the Request for Travel Authorization form will be deleted.

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 2) In general, employees are not reimbursed for expenses without proper support and the proper form is used for obtaining an advance.

Target Date for Implementation: N/A

**OBSERVATION 2 – USE OF THE LEAST EXPENSIVE FORM OF TRANSPORTATION WAS NOT DOCUMENTED WHEN EMPLOYEES TRAVELED BY VEHICLE**

For 13 of the 49 employees' expense statements tested in excess of \$1,000 and 3 of the 5 CEO expense statements tested, employees used either a company vehicle or their personal vehicle for travel and we noted the following:

- 1) The use of the least expensive form of transportation was not documented when employees traveled by vehicle because the Cost Analysis: Airfare vs. Auto Usage section on the reverse side of the Request for Cash/Travel Advance form was not completed as required by PAAC's Travel and Expense Reimbursement Policy. Employees and the CEO were not aware of the need to complete the information on this section of the form because it is currently on the Request for Cash/Travel Advance form and it is also located on a separate tab of this form. Therefore; if an employee was not requesting a cash/travel advance they would not be aware of the need to complete the Cost Analysis: Airfare vs. Auto Usage information.
- 2) Although the Cost Analysis: Airfare vs. Auto Usage section on the reverse side of the Request for Cash/Travel Advance form requires that the employee document whether a PAAC pool car was available before using a personal vehicle, PAAC's Travel and Expense Reimbursement Policy does not specify that before an employee uses a personal vehicle for out-of-town travel, the employee must document whether a pool car or Zip Car was available on the Cost Analysis: Airfare vs. Auto Usage section of the form.
- 3) PAAC's Travel and Expense Reimbursement Policy includes the heading "Alternative Form(s) of Travel" rather than "Alternative Form(s) of Travel and Documenting the Least Expensive Form of Travel".
- 4) The Cost Analysis: Airfare vs. Auto Usage section of the Request for Cash/Travel Advance form on ePort shows an outdated mileage rate of .405 per mile.

Criteria:

PAAC's Travel and Expense Reimbursement Policy states the following:

- Circumstances may dictate that an employee may require an alternative means of transportation, other than an airline, to reach a business destination. Alternative means of transportation may include auto usage (either a personal vehicle or PAAC owned vehicle) or railroad transportation. Before any approval for auto usage is considered, the employee must document a Cost Analysis of Airfare vs. Auto Usage on Form No. 43-0048-D.

The GSA states that privately owned vehicle (POV) mileage reimbursement rates effective January 1, 2016 are .54 cents per mile (the current standard GSA rate) if the use of a privately owned vehicle is authorized or if no Government-furnished automobile is available and .19 cents per mile (the lowest GSA rate) if a Government-furnished vehicle is available.

<http://www.gsa.gov/portal/content/100715>

The Code of Federal Regulations Section 301-10.310 states that if federal employees are authorized to use a Government-furnished automobile and they use a privately owned vehicle instead, they will be reimbursed based on a constructive mileage rate limited to the cost that would have been incurred for use of a Government automobile. If an agency determines the cost of providing a Government-furnished automobile would be higher because of unusual circumstances, it may allow reimbursement not to exceed the mileage rate for a privately owned automobile.

Business Impact:

If a cost analysis is not completed that compares the cost of flying to the cost of driving when employees travel by vehicle, there is a risk that the least expensive form of transportation may not be used. In addition, if employees are not documenting the availability of a pool car or Zip Car, PAAC may reimburse employees incorrectly for mileage.

**AUDIT RECOMMENDATION 2**

- 1) To help ensure that employees document the use of the least expensive form of transportation when traveling by any method other than flying and that this information is obtained regardless of whether the employee traveling obtains an advance, the reverse side of the Request for Travel Authorization form should be amended to include the cost analysis information and should be completed before traveling to an out-of-town business destination.

The cost analysis information should be amended to include the following:

- a) A checkbox to indicate whether a PAAC pool car or Zip Car was available for the planned dates of travel. (The current form includes a checkbox for the PAAC pool car only.)
- b) A footnote stating "If a PAAC pool car or a Zip Car is available and, absent written justification approved by your director, you choose to travel using your own personal vehicle, you will be reimbursed at the lowest GSA mileage rate. If adequate written justification is obtained from you and approved by your director, you will be reimbursed at the standard GSA mileage rate."
- c) Lines for the employee to include the written justification for using their personal vehicle when a pool car or Zip Car is available.

- 2) PAAC's Travel and Expense Reimbursement Policy should be amended to specify that before an employee uses a personal vehicle for out-of-town travel, the employee must document whether a pool car or Zip Car was available on the Cost Analysis: Airfare vs. Auto Usage section of the form.
- 3) PAAC's Travel and Expense Reimbursement Policy should be amended to change the heading from "Alternative Form(s) of Travel" to "Alternative Form(s) of Travel and Documenting the Least Expensive Form of Travel".
- 4) The Cost Analysis: Airfare vs. Auto Usage section of the form on ePort should be amended to change the heading to "Travel Alternative Cost Analysis section" and should instruct employees to use the appropriate federal mileage rate for comparing the cost of flying to the cost of driving when traveling by vehicle and should include a link to the appropriate federal mileage rate. In addition, employees should be advised they will be reimbursed for the least expensive form of travel unless written justification is approved by their director.

## **MANAGEMENT RESPONSE 2**

Management concurs with the audit recommendations and has agreed to the following:

- 1) To help ensure that employees document the use of the least expensive form of travel when traveling by vehicle, the Request for Travel Authorization form will be amended to include the cost analysis information on the reverse side of the form.

The cost analysis information will be amended to include the following:

- a) A checkbox to indicate whether a PAAC pool car or Zip Car was available for the planned dates of travel.
- b) A footnote stating "If a PAAC pool car or a Zip Car is available and, absent written justification approved by your director, you choose to travel using your own personal vehicle, you will be reimbursed at the lowest GSA mileage rate. If adequate written justification is obtained from you and approved by your director, you will be reimbursed at the standard GSA mileage rate."
- c) Lines for the employee to include the written justification for using their personal vehicle when a pool car or Zip Car is available.

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.



- 2) The Travel and Expense Reimbursement Policy will be amended to include the appropriate changes.

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 3) PAAC's Travel and Expense Reimbursement Policy will be amended to change the heading from "Alternative Form(s) of Travel" to "Alternative Form(s) of Travel and Documenting the Least Expensive Form of Travel".

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 4) The Cost Analysis: Airfare vs. Auto Usage section of the form on ePort that compares the cost of flying to the cost of driving when traveling by vehicle will be amended to instruct employees to use the appropriate federal mileage rate and will include a link to the appropriate federal mileage rate. In addition, employees will be advised they will be reimbursed at the least expensive form of travel unless written justification is approved by their director.

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

### **OBSERVATION 3 – MEAL PER DIEMS NOT REDUCED WHEN MEALS WERE PROVIDED DURING THE COURSE OF TRAVEL AND MEAL PER DIEM DIFFERENCES**

- 1) PAAC's Travel and Expense Reimbursement Policy does not address the issue as to whether the per diem amount should be reduced when meals are provided to employees during the course of travel and, if so, how the per diem should be reduced.
  - a) We noted that 13 of the 49 expense statements tested included meal(s) as part of conferences and seminars and in 12 of these 13 instances, the per diem amount on the expense statements were not reduced when meals were provided. One employee reduced the per diem amount for meals that were included as part of the conference attended.

We also noted the following related to per diem for the 49 expense statements tested:

- Two employees requested/were reimbursed incorrect per diem rates that were less than the established federal standards. The employees were advised of the correct per diem rates, and one of these employees requested and received the difference due.

- Five employees requested partial day per diem amounts that were not based on PAAC's Travel and Expense Reimbursement Policy (the differences were nominal).

### Criteria

PAAC's Travel and Expense Reimbursement Policy states that for partial days of travel, the per diem rates must be adjusted and that the employee is allowed one-third of the applicable per diem rate for each portion of the day that the employee is traveling to or from home or assigned work location.

The Commonwealth of Pennsylvania requires that if state employees are provided meals during the course of their travel, they must deduct a corresponding amount from the maximum daily reimbursement rate for each meal provided: 22% for breakfast, 22% for lunch and 56% for dinners.

The federal government per CFR 301-11.18 requires their employees to deduct specified amounts for meals included as part of registration fees (excluding incidental expenses) for which the cost of the meals is allocated based on locality.

### Business Impact:

When meals are provided when traveling, if employees are not required to reduce the allowable per diem amount or to document why the full per diem rate is due, there is a risk that PAAC may reimburse employees the full per diem rate when only a partial per diem amount should be reimbursed.

If per diem rates do not agree with established federal per diem rates or if the portions of the day charged do not agree with those stated in PAAC's Travel and Expense Reimbursement Policy, there is a risk of inconsistent application of this policy related to per diems.

### **AUDIT RECOMMENDATION 3**

- 1) PAAC's Travel and Expense Reimbursement Policy should be amended to include a requirement that employees reduce per diem amounts (other than for meals classified as a continental breakfast) by a specified percentage or an amount determined by PAAC management or provide justification why the full per diem should be reimbursed when meals are provided during the course of travel.

In addition, a reminder note should be added to the amended Request for Travel Authorization form and to the Employee Expense Statement form that employees must reduce per diem amounts for meals provided during the course of travel or justify why the full per diem should be reimbursed (i.e. medical requirements or religious reasons).

### **MANAGEMENT RESPONSE 3**

Management concurs with these audit recommendations and has agreed to the following:

- 1) PAAC's Travel and Expense Reimbursement Policy will be amended to require employees to reduce per diem amounts for meals provided during the course of travel (other than meals classified as a continental breakfast) by deducting 22% for breakfast, 22% for lunch and 56% for dinners (of the applicable per diem rate) or provide justification why the full per diem rate should be reimbursed.

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

In addition, a reminder note will be added to the amended Request for Travel Authorization form and to the Employee Expense Statement form that employees must reduce per diem amounts for meals provided during the course of travel or justify why the full per diem should be reimbursed.

Target Date for Implementation: The recommended changes to the forms have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

### **OBSERVATION 4 – SOME PRE-AUTHORIZATIONS AND APPROVALS NOT OBTAINED AND MISSING INFORMATION**

- 1) We observed that PAAC's Travel and Expense Reimbursement Policy does not clarify who can approve out-of-town travel for the CEO or the acceptable method(s) of approval. Historically, the Chairman of the Board of Directors approves out-of-town travel for the CEO by signing the Request for Travel Authorization form.
- 2) We also noted the following:
  - a) Pre-authorization for out-of-town travel was not obtained for 3 of the 49 employee expense statements tested and for 1 of 5 CEO expense statements tested; however, in all instances, authorization was obtained either after the start date of the trips or during the audit.

Currently, in PAAC's Travel and Expense Reimbursement Policy, the employee authorized to approve employee expense statements (in the absence of the Chief Financial Officer (CFO)) is the "Controller"; however, the "Controller" position no longer exists at PAAC. In addition, for ease of reference, the policy does not include page numbers.

- b) Two of the 49 employee expense statements tested were not approved by the CFO or their designee(s).

- c) For 12 of the 23 travel advances tested (in excess of \$1,000), a copy of the Request for Cash/Travel Advance form was not included with the expense statement. This form provides assistance in reconciling the advance with the expense statement.
- d) For 6 of the 23 travel advances tested (in excess of \$1,000), the worksheet for the estimated travel advance on the reverse side of the Request for Cash/Travel Advance form was not completed, nor was the information included on the front of the form. This worksheet requires the employee to estimate related lodging, meals and other cost for their planned travel.
- e) One employee lost the receipts to support a \$100.00 advance that was issued and submitted an expense statement which totaled \$100.34 (which included the detail of the items purchased).
- f) Advances were given to designated employees (to use as start-up funds to support PAAC's United Way Campaign events) and all amounts due PAAC were returned to PAAC after completion of the fundraising events; however, employees did not submit receipts to Finance Division personnel to substantiate the specific use of the start-up funds.

#### Criteria

PAAC's Travel and Expense Reimbursement Policy states the following:

- Pre-authorization for all out-of-town travel is required, requests for such authorizations are to be made on a "Request for Travel Authorization" form through the Department Head and Divisional Manager to the CEO for approval, and in the absence of the CEO, approval may be given by the CFO.
- For all expense statements, final payment approval will be made by the CFO or the Controller.
- A worksheet for the estimated travel advance is included on the reverse side of the Request for Travel Advance form and that this worksheet must be completed at the time of the request for the travel advance and should support the estimated advance requested.
- All expenditures must be supported by original receipts and there will be no reimbursement of expenses not supported by a receipt. Exceptions are expenses for local travel such as buses or subways.

#### Business Impact:

If a properly approved Request for Travel Authorization form is not obtained before committing PAAC funds for out-of-town travel, additional work is necessary to determine if the employee's travel was properly authorized and there is a risk that PAAC may pay for travel expenses that were not properly authorized by management or for non-business related expenses.

If a Request for Travel Authorization form and/or a copy of the Request for Cash/Travel Advance form are not included with the employee expense statement, there is a risk that the employee may be reimbursed for travel that is not authorized by management or that the amount of the advance will not be reconciled with the amount on the employee expense statement.

If the worksheet for the estimated travel advance on the reverse side of the Request for Cash/Travel Advance form is not completed, there is a risk that the employee may request and receive a travel advance that is greater than the estimated cost of the expenses.

If advance amounts for United Way Campaign events start-up funds are not substantiated with original receipts, there is a risk that these funds may temporarily be used for something other than their approved purpose.

#### **AUDIT RECOMMENDATION 4**

1) PAAC's Travel and Expense Reimbursement Policy should be amended to clarify who can approve out-of-town travel for the CEO and the acceptable method(s) of approval (via email).

2) We also recommend the following:

a) Request for Travel Authorization forms should be submitted and approved before the initial date of planned travel.

The title(s) of the employee(s) authorized to approve employee expense statements (in the absence of the CFO) should be specified in the Travel and Expense Reimbursement Policy.

The title "Controller" should be removed from the Travel and Expense Reimbursement Policy because the Controller position no longer exists at PAAC and the policy should be amended to include current management titles and page numbers.

b) Employee expense statements should consistently be approved by the CFO or their authorized designee(s).

c) A copy of the Request for Cash/Travel Advance form (if an advance was obtained) should be attached to the employee expense statement when the expense statement is submitted for approval.

d) Employees should be reminded to complete the worksheet for the estimated travel cost on the reverse side of the proposed Request for Travel Authorization form when submitting this form for approval and before receiving a travel advance.

PAAC's Travel and Expense Reimbursement Policy should be amended to require that the worksheet for the estimated cost of travel on the reverse side of the Request for Travel Authorization form must be completed when the Request

for Travel Authorization form is submitted for approval and before obtaining a travel advance.

- e) Employees should be required to return the portion of cash/travel advances that is not substantiated.
- f) Receipts should be submitted to Finance Division personnel to substantiate the specific use of United Way Campaign events start-up funds. In addition, new procedures that were developed in 2015 related to United Way Campaign events should be implemented going forward.

#### **MANAGEMENT RESPONSE 4**

Management concurs with the audit recommendations and has stated the following:

- 1) PAAC's Travel and Expense Reimbursement Policy will be amended to clarify who can approve out-of-town travel for the CEO and the acceptable method(s) of approval.

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 2a) In general, Request for Travel Authorization forms are submitted and approved before the initial date of planned travel. In instances where travel is urgent and has not been pre-planned, authorizations are generally obtained as soon as feasible.

Target Date for Implementation: N/A

The title(s) of the employee(s) authorized to approve employee expense statements (in the absence of the CFO) will be specified in the amended Travel and Expense Reimbursement Policy. The title "Controller" will be removed from the policy and the policy will be amended to include current management titles and page numbers.

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 2b) In general, employee expense statements are consistently approved by the CFO or their authorized designee(s).

Target Date for Implementation: N/A

- 2c) Finance Division personnel will ensure that a copy of the Request for Cash/Travel Advance form (if an advance was obtained) is attached to employee expense statement when the expense statement is submitted for approval.

Target Date for Implementation: September 2016

- 2d) The reverse side of the amended Request for Travel Authorization form will include a worksheet for the estimated total cost of travel which must be completed when the Request for Travel Authorization form is submitted for approval and before receiving a cash/travel advance.

Once this worksheet is added to the reverse side of the amended Request for Travel Authorization form, it will be removed from the reverse side of the Request for Cash/Travel Advance form.

PAAC's Travel and Expense Reimbursement Policy will be amended to require that the worksheet for the estimated cost of travel on the reverse side of the proposed Request for Travel Authorization form must be completed when this form is submitted for approval and before obtaining a travel advance.

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendations will be implemented by September 2016.

- 2e) In general, employees are required to return the portion of cash/travel advances that is not substantiated and employees are not reimbursed for expenses without proper support.

Target Date for Implementation: N/A

- 2f) Finance Division personnel will require that receipts are submitted to substantiate the specific use of United Way Campaign events start-up funds and the new procedures that were developed related to United Way Campaign events will be implemented for future campaigns.

Target Date for Implementation: 2016 United Way Campaign

#### **OBSERVATION 5 – TIMELINESS OF OBTAINING ADVANCES, RECEIVING EXPENSE STATEMENTS, RETURNING UNUSED ADVANCE AMOUNTS DUE PAAC, AND DEPOSIT OF FUNDS**

We noted 34 of 86 advances tested included unused advance amounts due PAAC because the amount of the advance was greater than the business expenses incurred. Advances included travel advances, advances obtained for expenses related to the Take Your Child to Work Day Program in 2013 and 2014 and advances used as start-up funds to support PAAC's United Way Campaign events in 2013.

Our testing showed that, in general:

- there is a reconciliation process performed (which helps to ensure that employees who receive an advance also submit their expense statement),
- the unused portions of advances were timely returned to PAAC (within 30 days of completion of the trip or event), and
- the unused portions of advances were timely deposited in PAAC's bank account (within 21 days of the check/money order date, or the same day in which cash was received).

However, the following exceptions were noted:

- 1) In 3 of 27 instances, the employee's check/money order (for the unused portion of the advance) was dated between 46 and 67 days of completion of the trip or event.
- 2) In 2 of 27 instances, checks/money orders received from employees were deposited in PAAC's bank account 91 days and 98 days after the check date.
- 3) In 5 instances, (of the 23 travel advances tested in excess of \$1,000), we noted that employees obtained travel advances between 33 and 103 days before the date of departure.
- 4) PAAC's Travel and Expense Reimbursement Policy does not include language related to withholding the unsubstantiated portion of advances from an employee's paycheck(s) if the expense statement is not submitted to the Department Head within 30 days or if the unused portion of the advance is not returned to PAAC within 30 days after completion of the trip or the event. This information is currently on the Request for Cash/Travel Advance form which is signed by the employee.
- 5) Expense statements (which documents the business related expenses, management approval and support the use of the advance if obtained) could not be located in file for 2 of the 73 employee travel advances tested. During the audit, the employees submitted the expense statements and supporting documentation.

#### Criteria

PAAC's Travel and Expense Reimbursement Policy states the following:

- Employees shall reimburse PAAC for the unused portion of the travel advance as soon as possible, but under no circumstances later than 30 days from completion of the scheduled trip.
- Travel advance requests should be sent to the Finance Division at least two weeks before departure.
- Submission of expense statements is to be made as soon as possible after completion of travel, but no later than 30 days after completion (of travel). This policy also states that failure to submit expense statements to the Department Head within this 30 day time limit shall preclude employees from obtaining reimbursement for travel expenses, absent extenuating circumstances and the written approval of PAAC's CEO.

In addition, the Request for Cash/Travel Advance form that is signed by the employee states that if the expense report is not submitted to your Department Head within 30 days of your return to PAAC for which this travel advance was issued, all or any portion of the travel advance which is not properly represented by an expense report will be withheld from your next paycheck(s).



### Business Impact:

If the unused portion of the cash/travel advance is not timely returned or timely deposited to PAAC's bank account, there is a risk that it may be more difficult to recover the unused portion of the advance from the employee and/or the money may not be deposited to PAAC's account.

If the cash/travel advance is obtained too long before the first day of travel, there is a risk that the money may temporarily be used for something other than the approved travel.

If expense statements are not submitted to the employee's Department Head within 30 days of the return to PAAC and if the portion of the advance which is not properly represented by an expense statement is not withheld from the employee's paycheck(s), there is a risk that it may be more difficult to reconcile the expenses and for PAAC to recover the amount due from the employee.

### **AUDIT RECOMMENDATION 5**

- 1) Unused portions of advances should be returned to PAAC within 30 days from completion of the trip or event.
- 2) Unused portions of advances returned by employees should be timely deposited into PAAC's bank account.
- 3) Advances should not be provided to employees more than 30 days before the date of the departure.
- 4) In addition, PAAC's Travel and Expense Reimbursement Policy should be amended to state that if the expense statement is not submitted to your Department Head within 30 days or if the unused portion of the advance is not returned to PAAC within 30 days after completion of the trip or the event, any portion of the advance which is not substantiated will be withheld from the employee's paycheck(s).
- 5) Expense statements should be submitted to Finance Division personnel as soon as possible after completion of travel, but no later than 30 days after completion (of travel). After reasonable efforts have been exhausted by Finance Division personnel to obtain expense statements or resolve unsubstantiated expenses, the amount of the advance should be withheld from the employee's paycheck(s) absent extenuating circumstances and the written approval of PAAC's CEO.

### **MANAGEMENT RESPONSE 5**

Management concurs with these audit recommendations and has stated the following:

- 1) Unused portions of advances are generally returned to PAAC within 30 days from completion of the trip or event.

Target Date for Implementation: N/A

- 2) Unused portions of advances returned by employees are generally deposited into PAAC's bank account timely.

Target Date for Implementation: N/A

- 3) If any Request for Cash/Travel Advance forms are received in Accounts Payable more than 30 days before the planned travel start date, they are being vouchered and travel advance checks are not sent to employees until no more than 30 days before the first day of travel.

Target Date for Implementation: Implemented

- 4) PAAC's Travel and Expense Reimbursement Policy will be amended to state that if the expense statement is not submitted to your Department Head within 30 days or if the unused portion of the advance is not returned to PAAC within 30 days after completion of the trip or the event, any portion of the advance which is not substantiated will be withheld from the employee's paycheck(s).

Target Date for Implementation: Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 5) After reasonable efforts have been exhausted by Finance Division personnel to obtain expense statements within 30 days after completion of travel or resolve unsubstantiated expenses, the amount of the advance will be withheld from the employee's paycheck(s) absent extenuating circumstances and the written approval of PAAC's CEO.

Target Date for Implementation: September 2016.

#### **OBSERVATION 6 – TRAVEL RESERVATIONS WERE INDEPENDENTLY MADE BY EMPLOYEES**

- 1) In three instances (of the 49 expense statements tested in excess of \$1,000), reservations were made independently by the employee rather than by designated PAAC personnel who are responsible for making airline/railroad reservations. One employee made round trip airline reservations twice and another employee made a one way railroad and one way airline reservation for the return trip only. The employees were reimbursed the cost of their airfare/railroad expenses and documentation was not provided to support that the lowest cost airfare/railroad fares were obtained. In addition,
  - a) one employee received frequent flyer miles associated with the airline reservations on two separate occasions, and
  - b) airline and railroad reservations were made independently by one employee before a Request for Travel Authorization form was approved.

2) The Travel and Expense Reimbursement Policy and the Airline Reservations Procedures need updated based on the following:

- a) Airline Reservations Procedures do not include up to date information related to proper coding, job titles and the general process for receiving flight information.
- b) The Travel and Expense Reimbursement Policy does not address railroad reservations.
- c) The above policy and procedures incorrectly state that Frequent Flyer Miles earned through travel purchased by PAAC belong to PAAC. (Airlines do not allow a business/company to accrue Frequent Flyer Miles.)

Criteria:

1) PAAC's Travel and Expense Reimbursement Policy states that:

- airline reservations should be made through PAAC and not independently by the employee or a third-party travel agent,
- airline reservations will be made at the lowest cost seating available,
- generally, employees should obtain travel authorization before committing PAAC funds to travel/business related activities, and
- any and all Frequent Flyer Miles earned by employees on PAAC business and earned through travel purchased by PAAC belong to PAAC.

2) PAAC's Airline Reservations Procedures states that:

- a signed copy of the (Request for) Travel Authorization form should be sent to the Internal Audit Department,
- reservations will only be made when Internal Audit receives a copy of the signed authorization, and
- reservations will not be made without a fully authorized form.

Business Impact:

If airline reservations are made by employees, there is a risk that PAAC may not be receiving the best rates available from the airlines and if employees receive frequent flyer miles while traveling on PAAC business, this may be perceived as a privilege that is not granted to all employees. In addition, if travel reservations are made before a Request for Travel Authorization form is approved, there is a risk that PAAC may pay for travel expenses that are not approved by management.

**AUDIT RECOMMENDATION 6**

1) The Request for Travel Authorization form should be amended to remind employees that:

- a) airline reservations should be made by designated PAAC personnel and not independently by the employee (this will help ensure that employees do not receive frequent flyer miles when traveling on PAAC business), and
  - b) travel arrangements should not be made until a Request for Travel Authorization form has been properly pre-approved.
- 2) PAAC's Travel and Expense Reimbursement Policy and Airline Reservations Procedures should be amended as follows:
- a) Airline Reservations Procedures should be amended to include up to date information related to proper coding, job titles and the general process for receiving flight information.
  - b) The Travel and Expense Reimbursement Policy should be amended to address railroad reservations.
  - c) The above policy and procedures should be amended to state that the employee cannot earn Frequent Flyer Miles when traveling on PAAC business and the reference related to Frequent Flyer Miles belonging to PAAC should be deleted.

#### **MANAGEMENT RESPONSE 6**

Management concurs with the audit recommendations and has agreed to the following:

- 1) The Request for Travel Authorization form will be amended as appropriate.

Target Date for Implementation: The recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

- 2) Airline Reservations Procedures and PAAC's Travel and Expense Reimbursement Policy will be amended as appropriate.

Target Date for Implementation: The recommended changes to the Airline Reservations Procedures will be made and subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

#### **ADVISORY COMMENT 1 – EMPLOYEE EXPENSE STATEMENT FORMS**

The current Travel and Expense Reimbursement Policy requires the employee to submit an expense statement but does not specifically require that the employee sign or date the expense statement and does not remind employees of required documentation to include with their expense statement. It is a good business practice for employees to sign and date their own expense statement.

We recommend that the Employee Expense Statement form should be amended to include:

- the "Employee Signature" and "Date" after all required signatures to document the timely submission of the form.
- a list of required documentation that should be included with the expense statement. (See Attachment C - proposed Employee Expense Statement form)

We also recommend that the Travel and Expense Reimbursement Policy should be amended to require that employees and approvers sign and date the Employee Expense Statement form.

In addition, an example of a properly completed Employee Expense Statement form should be attached to PAAC's Travel and Expense Reimbursement Policy to assist employees in properly completing this form. (See Attachment D – proposed example of Employee Expense Statement form)

Management stated that the Employee Expense Statement form will be amended to include the "Employee Signature" and "Date" after all required signatures to document the timely submission of the form and the employee expense statement form will be amended to remind employees of documentation that should be included with their expense statement. In addition, an example of a properly completed Employee Expense Statement form will be attached to PAAC's Travel and Expense Reimbursement Policy. Management concurs and the recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

#### **ADVISORY COMMENT 2 – HOTEL LODGING RATES IN EXCESS OF THE RATES PER GSA WEBSITE**

PAAC's Travel and Expense Reimbursement Policy does not state/address that employees are responsible for booking their own hotel rooms and they should attempt to obtain a rate that is equal to or lower than the maximum lodging rates per the GSA website or the government rate provided by the hotel when traveling. These rates are not always available to employees; however, consistently trying to obtain these rates could result in cost savings to PAAC. If employees do not attempt to obtain these rates, there is a risk that PAAC may pay increased amounts for business related, out-of-town hotel stays.

- For 28 employee expense statements and 2 CEO expense statements tested, rates equal to or lower than the maximum lodging rates per the GSA website were not obtained.

PAAC's Travel and Expense Reimbursement Policy should be amended and a note should be added to the Request for Travel Authorization form to state that employees are responsible for booking their own hotel rooms and they must attempt to obtain a lodging rate that is the same as or lower than the maximum lodging rate per the GSA website or the government lodging rate.

Management concurs and the recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016. (See Attachment B - proposed Request for Travel Authorization form)

### **ADVISORY COMMENT 3 - HOTEL OCCUPANCY TAX PAID**

PAAC's Travel and Expense Reimbursement Policy does not address the issue that PAAC is a tax exempt organization and that tax exemption certificates should be presented when employees stay in hotels located within Pennsylvania.

We noted that when employees stayed at hotels located within Pennsylvania during the audit period, tax exemption certificates were not consistently submitted and PAAC was charged occupancy taxes (state and local). In one instance, a tax exemption certificate was submitted to the hotel and occupancy taxes were still charged.

If employees do not present a tax exemption certificate to hotels located within Pennsylvania, or the hotels don't remove occupancy tax when a certificate is presented, there is a risk that taxes may be paid that PAAC is exempt from.

We recommend:

- PAAC's Travel and Expense Reimbursement Policy should be amended to state that PAAC is a tax exempt organization and that employees must present a tax exemption certificate to the hotel when staying in hotels located within Pennsylvania.
- The Request for Travel Authorization form should be amended to include a link to the GSA website for lodging rates and a reminder to employees (if staying at a hotel within Pennsylvania) to obtain a tax exemption certificate from Purchasing and Materials Management Department personnel and present the certificate to the hotel.

Management concurs and the recommended changes to the form have been made. Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016. (See Attachment B - proposed Request for Travel Authorization form)

### **ADVISORY COMMENT 4 - LIMITS OF AUTHORITY MATRIX AND AUTHORIZATION FORMS**

PAAC's Limits of Authority matrix dated July 24, 2014 and the Acknowledgement of Limits of Authority Authorization forms in file included various errors. This issue was discussed with and addressed by management personnel in the Finance Division during the audit.

The matrix and the Acknowledgement of Limits of Authority Authorization forms were updated during the audit to correct these errors and are on file in the Finance Division. In addition, management has developed a process to ensure that the information in PAAC's Limits of Authority matrix is properly updated by reviewing the changes on the daily Personnel Action Report which details changes occurring in employee job status; therefore, no recommendation is necessary.

## **ADVISORY COMMENT 5 - NOTIFICATION OF OUT-OF-STATE VEHICLE USAGE WAS NOT PROVIDED TO INSURANCE ADMINISTRATOR**

PAAC's Travel and Expense Reimbursement Policy states when the authorized employee will be utilizing a vehicle for travel to conduct official PAAC business outside the Commonwealth of Pennsylvania, the authorized employee will notify PAAC's insurance administrator of the planned travel at least five (5) business days before the scheduled travel date(s).

We noted that PAAC's insurance administrator was not notified of planned out-of-state travel when employees utilized automobile travel (via company, personal, rental or Zip Car vehicle) in lieu of airline travel. Therefore, employees may not have been aware of the need to purchase car rental insurance when renting vehicles for business use.

In discussing this issue with PAAC's insurance administrator and Legal Department personnel it was agreed that:

- PAAC's Travel and Expense Reimbursement Policy should be amended to require employees to obtain car rental insurance when renting vehicles for both in-state and out-of-state business use.
- The policy should be amended to remove the requirement to notify PAAC's insurance administrator of the planned travel at least five (5) business days before the scheduled travel date(s).

Subject to Board review and authorization of changes to the Travel and Expense Reimbursement Policy, management agreed that the recommendation will be implemented by September 2016.

### **ACKNOWLEDGEMENTS**

Internal Audit Department staff thanks Ed Typanski, Director, Grants and Capital Programs, Tia Gunn, Director, Financial Planning and Reporting, Kellie Kendall, Manager, Operational Accounting, Manny Martinez, Manager, Accounts Payable, Sarah Scharding, Manager, Grants Accounting and Cathy Frye, Insurance Administrator for their cooperation and assistance during this audit.

Participating internal auditors were Rick Thimons, Maria Nickerson, Willie Westbrook and Sheila Dillard.



Sheila Dillard, Director of Internal Audit

6-17-16

Issue Date:

### Disclaimer:

This report is intended solely for the information and use of PAAC management for decision making purposes. It is not intended for use by any other party.

## **ATTACHMENT A – BUSINESS PROCESS**

The business process and the internal controls for employee expense statements and advances are well established and well documented in PAAC's Travel and Expense Reimbursement Policy and in PAAC's Airline Reservations Procedures which are maintained on ePort. In addition, a link is included on ePort to refer employees to the federal allowable per diem rates. Also included on ePort are the PAAC forms related to travel. These forms include the Employee Expense Statement, the Request for Cash/Travel Advance and the Request for Travel Authorization. Since this process and the internal controls associated with it are well documented in the above policy and procedures, the information stated in these documents is not restated in this business process documentation.

### **Business Process for Employee Expense Statements and Advances**

- 1) The authorization process used for approving employee expense statements starts with the employee completing an expense statement, which is then approved by their director (if the director is authorized to approve expense statements per the Limits of Authority) and the CFO or their designee(s).
- 2) The director of capital grants and programs reviews the account coding on expense statements and verifies that the Request for Travel Authorization form is signed and attached to the expense statement (if travel is included as part of the expenses).
- 3) The standard federal mileage rate and the other per diem rates are available on ePort.
- 4) The authorization process and the policy for obtaining approval for out-of-town travel is documented on ePort.
- 5) If a Request for Travel Authorization form is required, it is signed by the employee's director and other management personnel including the CEO.
- 6) The approval process for advances requires the signature of the employee, department head, division head and the CFO before the issuance of the advance and this process is documented on ePort.
- 7) The manager of operational accounting reconciles travel advances.
- 8) Original receipts are required to support employee expenses.
- 9) The invoice number entered by Accounts Payable Department personnel is generally "expense report" for expense statements and "travel advance" for travel advances. The low volume of these transactions does not justify using separate modules in PeopleSoft for entering these transactions.
- 10) Employee expense statements and advances are generally entered in PeopleSoft by accounts payable clerks. The manager of accounts payable can also enter employee expense statements and advances.



**ATTACHMENT B – PROPOSED REQUEST FOR TRAVEL AUTHORIZATION FORM**  
**PORT AUTHORITY OF ALLEGHENY COUNTY**  
**Request for Travel Authorization**

***This form must be properly approved before travel arrangements can be made and the original must be attached to your employee expense statement.***

Authorization for out-of-town travel is hereby requested for the trip and reasons described below  
Employee Name (**Must include first, middle and last**) \_\_\_\_\_

**This information should be the same as it is on the identification you will use at the airport – no nicknames.**

Phone Ext. \_\_\_\_\_ Destination \_\_\_\_\_

Date of **DEPARTURE** \_\_\_\_\_

Date of **RETURN** \_\_\_\_\_

Dates of Training (If Applicable) \_\_\_\_\_

Agency or parties to be visited \_\_\_\_\_

Purpose and necessity of visit and/or benefit to PAT \_\_\_\_\_

Do you need airline/train reservations?  No or  Yes, (if yes, provide copy of this **approved** form to Internal Audit Dept. personnel who will book airline/train reservations-employees should not independently book airline/train reservations.

If yes, do you have time preferences or flight restrictions? Please be specific  
\_\_\_\_\_

Is this chargeable to a capital project?  Yes  No

If yes, which one (name and grant/project AFE number) \_\_\_\_\_  Yes  No  
Grant/Project Name AFE No. Collecting AFE

Is this charged to your training budget?  Yes  No

If yes, please attach a copy of the Employee Training/Development Request Form (Form No. 29-0017-D).

**Please complete the appropriate coding information.**

Division Number	Department Number	Location Code

***Note: Review Section A and complete Sections B and C on the reverse side of this form (page 2) when appropriate before receiving a travel advance.***

**Section A - Hotel (Lodging) Information - Must Be Reviewed By All Employees Staying Overnight on Out-of-Town Travel**

Employees should attempt to obtain a rate that is lower than or the same as the GSA Website lodging rate (which can be found in the link below) or the government hotel rate. <http://www.gsa.gov/portal/content/104877>

If staying at a hotel within the state of Pennsylvania, remember to obtain a tax exemption certificate from Purchasing and Materials Management Department personnel and present the certificate to the hotel.

**Section B - Worksheet for Estimated Travel Cost**

**LODGING**

\_\_\_\_\_ Nights @ \_\_\_\_\_ per Night = \$ \_\_\_\_\_

**MEALS**

\_\_\_\_\_ Days @ \_\_\_\_\_ per Day = \$ \_\_\_\_\_

**OTHER**

\_\_\_\_\_ = \$ \_\_\_\_\_

\_\_\_\_\_ = \$ \_\_\_\_\_

TOTAL ESTIMATED ADVANCE \_\_\_\_\_ = \$ \_\_\_\_\_

**Note:** If meals are provided as part of travel, per diem amounts should be reduced as applicable or you should provide justification why the full per diem rate should be reimbursed. Refer to the Travel and Expense Reimbursement Policy.

**Section C - Travel Alternative Cost Analysis - (Must Be Completed By All Employees Planning to Travel to an Out-of-Town Destination by Any Means Other Than Flying)**

The following analysis compares the costs of airfare to the costs of travel for a planned business trip to \_\_\_\_\_ on \_\_\_\_\_. This analysis demonstrates that it is more economical to drive or fly or use other method \_\_\_\_\_.

The appropriate mileage rate can be found in the following link: <http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates/>

**Costs of Flying**

Airfare = \$ \_\_\_\_\_

Travel to & from airport = \$ \_\_\_\_\_

Taxi = \$ \_\_\_\_\_

or

Mileage of \_\_\_\_\_ x Appropriate Mileage Rate of \_\_\_\_\_ = \$ \_\_\_\_\_

Parking = \$ \_\_\_\_\_

Other\* (list) \_\_\_\_\_ = \$ \_\_\_\_\_

\_\_\_\_\_ = \$ \_\_\_\_\_

Total Costs of Flying \_\_\_\_\_ = \$ \_\_\_\_\_

**Costs of Alternative Travel (Vehicle or Railroad)**

Mileage of \_\_\_\_\_ x Appropriate Mileage Rate of \_\_\_\_\_ = \$ \_\_\_\_\_

or

Gasoline for Port Authority Vehicle or Zip Car = \$ \_\_\_\_\_

Toll/Turnpike = \$ \_\_\_\_\_

Other\* (list) \_\_\_\_\_ = \$ \_\_\_\_\_

\_\_\_\_\_ = \$ \_\_\_\_\_

Total Costs of Alternative Travel \_\_\_\_\_ = \$ \_\_\_\_\_

\*Other costs may include additional nights lodging or additional meals.

Is a Port Authority pool car or Zip Car available? Yes  No

**Note:** If a PAAC pool car or a Zip Car is available and, absent written justification approved by your director, you choose to travel using your own personal vehicle, you will be reimbursed at the lowest GSA mileage rate. If adequate written justification is obtained from you and approved by your director, you will be reimbursed at the standard GSA mileage rate. If applicable, provide written justification below.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Signed by employee who will be traveling \_\_\_\_\_ Date \_\_\_\_\_

**Approved**

Department Head \_\_\_\_\_ Date \_\_\_\_\_

Division Head \_\_\_\_\_ Date \_\_\_\_\_

Chief Executive Officer \_\_\_\_\_ Date \_\_\_\_\_

CFO (Approval for CEO) \_\_\_\_\_ Date \_\_\_\_\_

# ATTACHMENT C – PROPOSED EMPLOYEE EXPENSE STATEMENT

PORT AUTHORITY OF ALLEGHENY COUNTY

**ATTACHMENT C**

Employee Expense Statement

Period: From \_\_\_\_\_ To \_\_\_\_\_

Location: \_\_\_\_\_ Department: \_\_\_\_\_ Name: \_\_\_\_\_ Payroll #: \_\_\_\_\_

Date	Explanations Trip - cities and Mode of Travel Local - Reasons for Meals, etc.	EXPENDITURES					Total
		Trans./Local Transportation	Lodging	Meals	Other Expense		
					Items	Amount	
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
<b>Total</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Bus Unit	Account	Fund	Org	Sub-Class	Budget Yr	Project	Amount
OPERN							
OPERN	102005	10000					
OPERN							
OPERN							

Amount of Advance \_\_\_\_\_  
 Amount of This Statement \$ -  
 Balance Herewith, or \_\_\_\_\_  
 Balance Due Me \_\_\_\_\_

Use appropriate coding or coding per your Employee Development Request form or AFE number if expenses should be paid from Capital.

- Note:**
- Expense Statements should be submitted within 30 days of completion of the trip or event. The amount of the advance should be posted to account 102005.
  - If meals are provided as part of travel, meal per diem amounts should be reduced per the Travel and Expense Reimbursement Policy by deducting 22% for breakfast, 22% for lunch and 56% for dinners (other than meals classified as a continental breakfast) or provide
  - Employees are responsible for payment of all non-business related expenses.
  - Employees should submit Expense Statement and receipts/documentation to the Chief Financial Officer (CFO) and keep a copy of the statement and receipts/documentation for your records.

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Approved \_\_\_\_\_ Date \_\_\_\_\_  
 Approved \_\_\_\_\_ Date \_\_\_\_\_

<http://www.gsa.gov/portal/content/104877> (Per Diem Rate per GSA website)  
<https://www.irs.gov/uac/Newsroom/2016-Standard-Mileage-Rates-for-Business-Medical-and-Moving-Announced> (IRS Mileage Rates)

**If applicable, employee should ensure the following is attached:**

Original Receipts	
Original Approved Request for Travel Authorization	
Copy of Employee Development Request	
Copy of Advance Check	

**If applicable, Finance personnel should ensure the following is attached:**

Copy of Request for Cash/Travel Advance (if employee received advance)	

FORM NO. 43-0006-B1

# ATTACHMENT D – EXAMPLE OF EMPLOYEE EXPENSE STATEMENT



## PORT AUTHORITY OF ALLEGHENY COUNTY

### Employee Expense Statement

**EXAMPLE**

<http://www.gsa.gov/portal/content/124977> (Per Diem Rate per GSA website)

Name: Employee Name Payroll #: Emp. Payroll # Date: \_\_\_\_\_  
 Location: Employee Location Department: Emp. Loc. Period From: Start Date of Trip To: End Date of Trip

<http://www.gsa.gov/portal/content/124977> (Per Diem Rate per GSA website)

Date	PURPOSE OF EXPENSE Explanations (Travel/trip - Reason, for travel, cities and mode of travel; Local - reason for meals, etc.) Include Name of Training and Date	EXPENDITURES					Total
		Transportation		Lodging	Meals	Other Expense	
		Local	Other			Items	Amount
3/15/2018	Mileage from Airport (23 miles @ .54 cents per mile)	\$ 12.42					\$ 12.42
3/15/2018	Airline Baggage Fee (Attach Receipt)						\$ 25.00
3/15/2018	1/3 per diem for partial day				\$ 23.67		\$ 23.67
3/16-3/18/18	Per diem (3 days x \$71/day) (No meals were included during travel)				\$ 213.00		\$ 213.00
3/19-3/19/18	Per diem (1 day x \$55.38/day) (Per Diem was reduced by 22% for lunch provided)				\$ 55.38		\$ 55.38
3/16-3/19/18	Hotel (5 nights x \$206.40/night)			\$ 1,032.00			\$ 1,032.00
3/20/2018	Transportation to Airport (attach receipt unless bus or subway was used)	\$ 35.00					\$ 35.00
3/20/2018	Airline Baggage Fee (Attach Receipt)						\$ 25.00
3/20/2018	Mileage from Airport (23 miles @ .54 cents per mile)	\$ 12.42					\$ 12.42
3/20/2018	Airport Parking (Attach Receipt)						\$ 47.00
							\$ -
	<b>Totals</b>	\$ 59.84	\$ -	\$ 1,032.00	\$ 262.05	\$ 97.00	\$ 1,480.89 (A)

Bus Unit	Account	Fund	Org	Sub-Class	Budget Yr	Project	Amount	Advance Amount Received (if Applicable) (B)	
OPERN	102005*	10000					(B)	Amount of Advance	\$ -
OPERN							\$1,480.89(A)	Amount of This Statement	\$ 1,480.89 (A)
								Balance Owed to Port Authority	
								Balance Due Me	\$ 1,480.89 (A)

\*The amount of the cash/travel advance should be posted to account 102005.  
 Use appropriate coding or coding per your Employee Development Request form or APE number if expenses should be paid from Capital.

- Notes:**
- Expense Statements should be submitted within 30 days of completion of the trip or event.
  - If meals are provided as part of travel, meal per diem amounts should be reduced per the Travel and Expense Reimbursement Policy by deducting 22% for breakfast, 22% for lunch and 56% for dinners (other than meals classified as a continental breakfast) or provide justification why the full meal per diem amounts should be reimbursed.
  - Employees are responsible for payment of all non-business related expenses.
  - Employees should submit Expense Statement and receipts/documentation to the Chief Financial Officer (CFO) and keep a copy of the statement and receipts/documentation for your records.

\_\_\_\_\_  
Employee Signature Date

\_\_\_\_\_  
Employee's Director's Signature Date

\_\_\_\_\_  
CFO or Approved Designee's Signature Date

If applicable, employee should ensure the following is attached:

Original Receipts	
Original Approved Request for Travel Authorization	
Copy of Employee Development Request	
Copy of Advance Check	

If applicable, Finance personnel should ensure the following is attached:

Copy of Request for Cash/Travel Advance (if employee received advance)	