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Travel Claims Audit

Audit Number: 2007-003

Report date: April 23, 2007

Period covered: Fiscal year ended June 30, 2006, and 2007 (partial)

Fieldwork dates: January 16 – March 8, 2007

EXECUTIVE SUMMARY

Travel claims policies and procedures for Escambia County School District are dictated by Florida Statutes, Florida Department of Education Rules and School Board Policy. For all District employees, the Travel Accounting Department reviews, approves, and processes claim forms for payment.

We selected a sample of travel claims forms, Accepted Invoices by Control Date and Number Reports, and travel card self audits to test for accuracy, approval, completeness, and compliance. The time frame for testing was fiscal year 2005-2006 and July 2006 through January 2007. We believe our sample accurately reflects the overall population of travel transactions.

Overall, internal controls over travel claims appear to be adequate and it appears travel claims are processed correctly and in a timely manner. However, areas for improvement exist in regard to the following weaknesses noted during the audit:

- Request for Travel Authorization Forms do not appear to be submitted in a timely manner to provide for complete approval prior to travel.
- Instances were noted where claim forms did not contain all required approving signatures prior to travel and/or processing for payment.
- Travel card managers are not consistently providing copies of T(2) and/or T(3) forms in the supporting documentation with each month's credit card statement. Also, these omissions are not documented on the audit worksheet and additional follow-up performed by Travel Accounting.
- It does not appear that travelers are booking the air tickets early enough to receive discounted airfare. In total, 14.7% of airfares were issued within fourteen days of departure.
- Inconsistencies were observed in the documenting of reviews performed by Travel Accounting.
- During testing of T(1) and T(3) forms, minor exceptions were noted for car size variances allowed. In addition, recalculations performed during the Travel Accounting review of forms were noted, but documentation supporting the variances was not identified.

DETAILED RESULTS

Background

Travel for all school district employees is governed by Florida Statutes Section 112.061, Florida Department of Education Rule 6-A-1.056, and Escambia County District School Board Policy 5.08. According to the DBS General Ledger, travel claims expenditures for the 2005-2006 fiscal year were approximately \$1.3 million. District employees travel for various purposes, such as conferences, legislative events, and school-related events. Once travel claim forms have received required approval signatures, Travel Accounting reviews, approves and processes the forms for payment. Travel Accounting has also been responsible for conducting self audits of monthly travel card expenditures since August 2006. Travel cards are credit cards issued to employees that travel frequently. These cards allow the employee to charge travel amounts and the payment from budgeted funds to be processed by the District.

Objectives

The purpose of this audit was to determine if internal controls governing the receipt and processing of travel claim forms were adequate and to determine if the processing of travel claims is in compliance with state and district rules.

Scope

We interviewed personnel in the Travel Accounting Department to obtain an understanding of the policies and procedures surrounding travel claims. We selected a sample of Prepayment Request forms, In-County Travel Voucher Reimbursement Claim Form T(1)s, Request for Travel Authorization Form T(2)s, Travel Voucher Reimbursement Claim Form T(3)s, and Accepted Invoices by Control Date and Number Reports from fiscal year 2005-2006 and July 2006 through January 2007 to test for accuracy, completeness, and compliance. Also, a sample of travel card self audits was selected from August 2006 to January 2007 for review. Timeliness of airfare was reviewed for the period of July 2005 to March 2007.

Conclusions

Overall, it appears travel claims are being processed accurately and in a timely manner. Within the travel claims function, there appears to be areas where opportunities for improvement exist. The following weaknesses were noted regarding travel claims policies and procedures:

- Request for Travel Authorization Forms (T(2)s) do not appear to be submitted in a timely manner to provide for complete approval prior to travel.
 - Of the one hundred fourteen T(2) forms tested, thirty-two (28.1%) had a form date of ten days or less from the travel date.
 - Seven forms (6.1%) were submitted by the employee in a timely manner; however, the supervisor approval was within ten days from the travel date.
 - It was noted that one form was dated over a month after travel was completed and another form was dated four months after travel was completed.

- Instances were noted where claim forms did not contain all required approving signatures prior to travel and/or processing for payment.
 - In testing T(2) forms, it was noted on five forms (4.4%) the supervisor approval was after travel had begun.
 - On twenty T(2) forms (17.5%) Superintendent approval was after travel had begun.
 - On thirty-nine T(2) forms (34.2%) finance approval was after travel had begun.
 - Eight T(2) forms (7.0%) did not indicate Superintendent approval.
 - Finance approval was missing on twelve T(2) forms (10.5%).
 - Of the one hundred fourteen T(3) forms tested, we noted Superintendent approval was missing on five forms (4.4%).
- Travel card managers are not consistently providing copies of T(2) and/or T(3) forms in the supporting documentation with each month's credit card statement. Of the eighteen self audits tested, thirteen (72.2%) did not have supporting copies of T(2) or T(3) forms. Also, these omissions were not documented on the audit worksheet and additional follow-up was not performed by Travel Accounting.
- For airfare, we obtained the Client Activity Report for July 1, 2005 to March 6, 2007 from the main travel agency used by the District and compared the issue date to the departure date to determine if the fare was booked in advance (over fourteen days) so the District could take advantage of lower fare prices.
 - Of the approximately one thousand one hundred nineteen transactions, one hundred sixty-four tickets (14.7%) were purchased within fourteen days of departure. Fifty-nine airfares (5.3% of the total tickets tested) were issued within seven days of departure date.
- Inconsistencies were observed in the documenting of reviews performed by Travel Accounting.
 - During testing of forty-five Prepayment Requests, it was noted that eight Accepted Invoices Reports (17.8%) were not stamped by the reviewer. This report is stamped to verify the report information (from the general ledger system) agrees with the forms prior to checks being mailed.
 - It was noted that six Accepted Invoices Reports (5.7%) were not stamped as being reviewed during the testing of one hundred six T(1) forms.
 - For testing of T(3) forms, there were fifteen Accepted Invoices Reports (13.2%) that were not stamped.
- During testing of T(1) and T(3) forms, minor exceptions were noted for car size variances allowed. In addition, recalculations/adjustments performed during the Travel Accounting review of forms were noted but documentation supporting the changes was not identified.
 - There were five T(1) forms (4.7%) for which the mileage recalculated during testing was different.
 - For T(3) testing, thirty-two (28.1%) meal amounts were recalculated to be different.
 - For T(3) testing, five (4.4%) mileage amounts were different.
 - Of the car rentals verified, three (2.6%) were for car sizes larger than passenger capacity guidelines.

Management Action Plans

To be developed

Process-improvement Recommendations

- Request for Travel Authorization Forms (T(2)s) are not being submitted within a time frame to allow complete approval prior to travel commencing. Without documented approval, there is a violation of Florida Statute.

We recommend Travel Accounting update procedures to require submission of T(2) forms prior to **ten** days before travel (at a minimum) and require employees to document the reason for any late submissions. In instances where a T(3) is received without a prior T(2) being submitted, we recommend a memo documenting the violation be sent to the employee and employee's supervisor and the reimbursement held pending receipt of a T(2). These updates, along with reiteration of Florida Statute, should be communicated to all affected employees via a memo with an effective date.

- Currently, not all claim forms are being signed or are not signed in sequential order by all required approving signatures prior to processing. Florida Statute 112.061 states "The (authorization) form shall be signed by the traveler and by the traveler's supervisor.... The head of the agency or his or her designated representative shall not authorize or approve such request in the absence of the appropriate signatures."

We recommend travel claim forms be held for payment until all signatures/dates are included on the form. This process will aid in providing management an opportunity to review expenses prior to funds being disbursed from the District.

- Travel card self audits are not documenting omissions of supporting T(2) and T(3) forms. Follow-ups are not consistently performed with travel card managers to ensure receipt of documents.

We recommend a memo be issued to all travel card managers reiterating the requirement for inclusion of T(2) and T(3) forms with each month's credit card statement. Also, any omissions are to be documented and follow-up performed in a timely manner.

- It appears some employees may not be making their airfare arrangements in a time frame that allows for maximum cost effectiveness to the District.

We recommend policy be revised to require all employees to arrange their airfare as soon as travel plans are approved and at least fourteen days prior to the date of travel. Any exceptions to the fourteen day standard should be documented and approved by the Superintendent.

- Reviews performed by Travel Accounting are not consistently documented. Instances were noted where expenses were posted to different accounts than the accounts indicated on the supporting documentation, due to error by the submitter. Exceptions for reimbursement of

expenses outside travel dates, variances in car rental sizes and recalculations/adjustments of amounts submitted were not recorded in the original documentation.

To heighten the strengths of this internal control, we recommend all exceptions for differing account postings, expenses outside the official travel dates/times, variances in car rental size, and recalculations/adjustments of amounts submitted be recorded on the forms or supporting documentation. Also, all reviews of the Accepted Invoices report should be documented and then verified by a separate individual.

COMPLIANCE WITH LAWS AND REGULATIONS

In regard to Florida Statute Section 112.061, the Travel Claims Procedures Manual states “Statute requires that a travel authorization request form (District form T-2) be authorized and filed prior to travel....Travelers should be aware that if they travel without a T-2 and Temporary Duty Form on file before their trip, they are not in compliance with School Board Policy and state statutes.” The travel claims function was observed to be out of compliance with Florida Statute Section 112.061 due to instances noted of employees traveling without a T(2) and approval of the T(2) being completed after travel had begun or ended.

Florida Statute Section 112.061 also states “All travel must be authorized and approved by the head of the agency, or his or her designated representative, from whose funds the traveler is paid.” Instances were noted where T(2) and T(3) forms were not approved by the Superintendent or his designee.

METHODOLOGY

The DBS General Ledger – Detail Transaction reports, listing all local and out of county travel, for periods 7/01/2005 – 6/30/2006 and 7/01/2006 – 1/17/2007 were obtained for sample selection. Using these reports, a sample of Prepayment Request, In-County Travel Voucher Reimbursement Claim Form T(1), Request for Travel Authorization Form T(2) and Travel Voucher Reimbursement Claim Form T(3) payment transactions was selected. A sample of Accepted Invoices Reports was also chosen for review. Airfare was examined through review of a Client Activity Report obtained from the main travel agency utilized by the District. The sample selected for testing self audits of travel cards was chosen from the monthly employee listing provided by Accounts Payable.

STATEMENT ON AUDITING STANDARDS

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

A handwritten signature in black ink that reads "David J. Bryant". The signature is written in a cursive, flowing style with a horizontal line extending from the end of the name.

David J. Bryant, Director
Office of Internal Auditing

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