Travel and Expense Risk Review

Why OCA did this project:

OCA's data analytics include a component that shows trends in financial risks. The analysis compares each financial module's risk relative to the other financial modules. This provides information to help choose which financial module to focus on for a deeper analysis of risk indicators. OCA chose the Travel and Expense module for review because it had the largest percentage change in number of flags compared to the same period of the preceding year.

Project Scope

This is a review of analytics with flagged data that are deemed high risk in the Travel and Expense module for the quarter ending 6/30/2022.

How OCA did this project

The Travel and Expense module contains 49 travel and expense analytics. Twenty-seven indicators were selected for transaction analysis based on impact and likelihood of risk events. The attached Risk Wall exhibit provides more detail on the risk analysis.

Key observations

This module was conducted concurrently with the Sensitive Payments Review for FY21 - FY 23. While Sensitive Payments reviewed expenses by city officials, executive management, and other key employees, this review's population included travel and expense transactions from all City of Tulsa employees during quarter ending 6/30/2022. Similar findings were noted in the Sensitive Payments report under observations 2 & 3 with their responses.

- Several travel expense claims did not comply with City of Tulsa Personnel Policies and Procedures.
- Multiple departments do not have a mayoral designee approver in their Munis workflow approvals.

Audit Report

Travel and Expense Risk Review

Audit Objective

Review high risk transactions in the Travel and Expense module.

Procedures

Project procedures included a review of the following business processes:

- **1. Actuals Paid Not Per Diem** - Ensure an expense claim line is not coded to Per Diem and an actual is paid to an employee.
- **2. Department Head Actual Approval**. - Ensure there is no department head approval in the approval workflow.
- **3**. **Director Claims No Approval** - Ensure an expense claim by a Department Director does not have approval from the Chief of Staff.
- **4**. **High Per Diem for Location** - Ensure an employee per diem rate is higher than other employees traveling to the same city in a given year.
- **5**. **Duplicate Expense Claims** - Ensure an expense claim matches another claim on Approved Estimate Amount and Employee Number, and if the matching claims are within 30 days of each other.
- **6. Per Diem No Travel** - Ensure an expense claim has per diem but no travel-related charges.
- **7. Duplicates By Expense Line** - Ensure an expense claim matches another claim on Expense Line Allocated Amount and Employee Number, and if the matching claims are within 30 days.
- **8. Invalid Actual Approvers** - Ensure an expense claim is approved by the employee direct report.
- **9. Overlapping Travel Claims** - Ensure an expense claim has a start date within the date range of another expense claim and both have a per diem expense line.
- **10. Trip Amount Outliers** - Ensure the total amount of a trip is greater than two times the standard deviation above the average.
- **11. Department Head Estimate Approver**. - Ensure there is no department head approval in the approval workflow.
- **12. Employee Is Actual Approver** - Ensure an employee approves their own expense claim, and the approval is not an auto-approval.
- **13. Incomplete Travel Claims** - Ensure an expense claim has airfare or mileage but no expense line related to lodging.
- **14. Ground Plus Other** - Ensure there is a ground transportation charge on the same expense claim in which fuel or car rental expenses are paid.
- **15. Flagged Keywords** - Ensure a specified keyword is found in the comments field of an expense claim.

- **16. Per Diem 1-Day Trips** - Ensure Trip Duration is less than 2 days, General Ledger Allocated Amount is greater than $0, and Expense Line Code is Per Diem.
- **17. Per Diem Plus P-Card** - Ensure an employee claims per diem and uses a purchasing card for an expense during the same time period.
- **18. Reimburse + P-Card** - Ensure an employee was reimbursed for an expense claim that may have been paid with a purchasing card.
- **19. Airfare Outliers** - Ensure the amount for airfare is greater than two standard deviations above the average.
- **20. Employee Is Estimate Approver**. - Ensure an employee approves their own expense claim, and the approval is not an auto-approval.
- **21. Lodging Outliers** - Ensure the daily amount for lodging is greater than two standard deviations above the average for that city.
- **22. Trip Duration < Per Diem** - Ensure the number of per diem days charged is greater than the total number of days traveled.
- **23. Cash Adv > Per Diem** - Ensure the total cash advance amount granted is greater than the total per diem amount reimbursed for an expense claim.
- **24. Duplicate Per Diem Requisitions** - Ensure multiple per diem requests are made for a single expense claim.
- **25. Invalid Estimate Approvers** - Ensure an expense claim is approved by the employee direct report.
- **26. Travel Outside US** - Ensure a destination country on an expense claim is not in the United States, or if the country field has poor data.
- **27. Entertainment Expenses** - Ensure an expense claim line is coded to an entertainment General Ledger object.

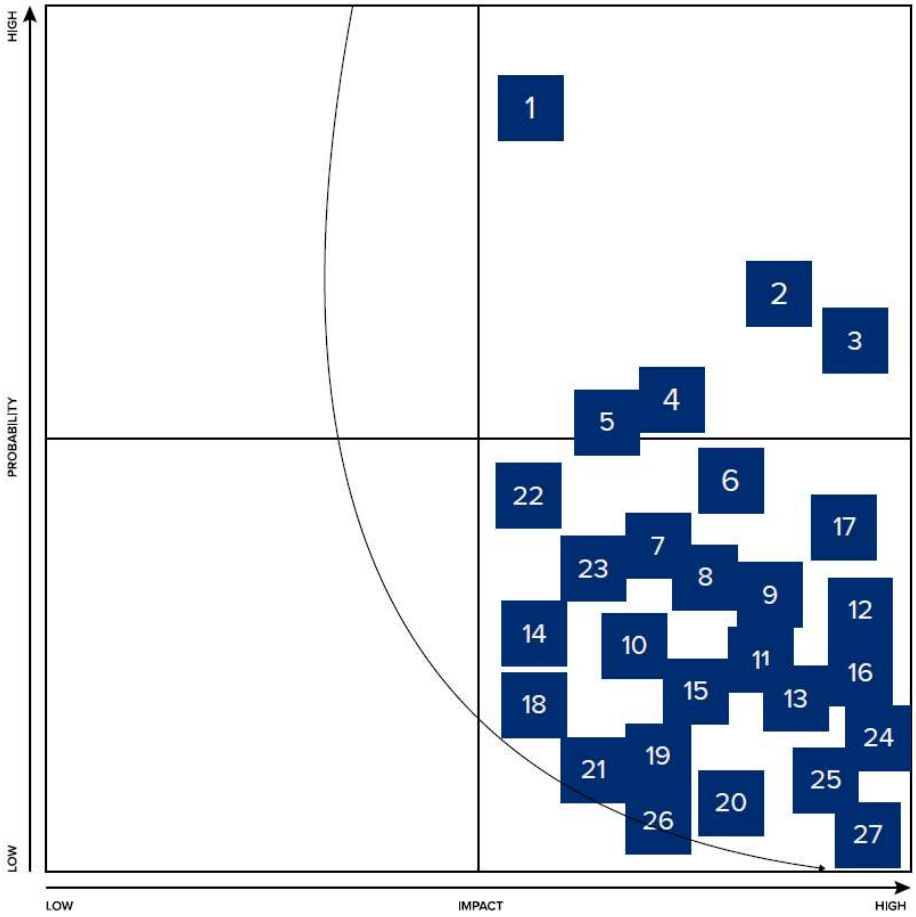
Risk Wall Exhibit

A risk matrix was created to evaluate the impact and probability of each analytic to determine scope of testing. The probability was determined by the number of flags for each analytic. Impact was determined by auditor discretion and discussion with management. The upper right quadrant of the risk wall indicates high impact and high probability of risk events. The twenty-seven analytics inside the arc were chosen for deeper analysis due to their elevated audit risk because of their high probability or high impact.

Each box's number correlates to the numbered analytics listed in the procedures section above.

Analytics

1. **Actual Paid Not Per Diem**
2. **Dept Head Actual Appr**
3. **Dir Claims No Approval**
4. **High Per Diem for Location**
5. **Duplicate Exp Claims**
6. **Per Diem No Travel**
7. **Duplicated by Exp Line**
8. **Invalid Actual Approvers**
9. **Overlapping Travel Claims**
10. **Trip Amount Outliers**
11. **Dept Head Estimated Appr.**
12. **Employee is Actual Approver**
13. **Incomplete Travel Claims**
14. **Ground Plus Other**
15. **Flagged Keywords**
16. **Per Diem 1-Day Trips**
17. **Per Diem Plus P-Card**
18. **Reimburse +P-Card**
19. **Airfare Outliers**
20. **Employee is Estimate Approver**
21. **Lodging Outliers**
22. **Trip Duration < Per Diem**
23. **Cash Adv > Per Diem**
24. **Duplicate Per Diem Requisitions**
25. **Invalid Estimate Approvers**
26. **Travel Outside US**
27. **Entertainment Expenses**



Observations

Observation 1:
Several travel expense claims did not comply with City of Tulsa Personnel Policies and Procedures.

We found 22 instances where employees were not complying with travel policies.

Recommendation:
Provide training to employees on how to input travel claims and training for travel coordinators on travel policies. Place specific instructions and definitions in an ESS Resources drop down menu. If possible, change ESS set up to prevent policy violations.

Response:
The ESM Manager agrees with these findings, and will make suggested changes within ESS, as feasible based on current functionality, and provide training communication to end users as recommended.

Observation 2:
Multiple departments do not have a Mayoral Designee approver in their Munis workflow approvals. We found 12 claims without a Mayoral Designee in workflow approvals.

Recommendation:
Add a Mayoral Designee approval step to the Munis approval workflow for department heads.

Response:
ESM Manager agreed with this recommendation and completed corrective action during this audit.